

Fresh air advocates cause worrying draught

by Colin James

MIKE Minogue is a rarity in New Zealand politics — an MP prepared to think independently, and to speak his thoughts, even when it means criticism of his own party.

Perhaps symbolically, the crusty libertarian occupies a little room away from other MPs, just off the public gallery of the House chamber — whence he can occasionally be seen to pop into the gallery to cast a beady eye over proceedings below.

More mature Parliaments not only encompass such people but seem to breed and cherish them. I think particularly of Edward du Cann, unquestionably one of the most important Conservatives of the 1970s, yet preferring a towering eminence on the back benches to the formal rank of Cabinet or shadow cabinet post.

In the stifling atmosphere of Parliament Buildings in Wellington, fresh air advocates of Minogue's ilk cause disconcerting draughts.

Two years ago, when he publicly criticised the security service phone tapping bill, the Prime Minister threatened to have his seat given to some

more compliant party member.

The place for dissent in New Zealand political parties is behind the closed doors of the caucus room. Minogue's standing with the public may have been high, but among his more conformist colleagues he cut less ice.

For instance, those National MPs who have been fighting the "fiscal regulator" — the proposal to reduce income tax when Parliament is not sitting — whence he can occasionally be seen to pop into the gallery to cast a beady eye over proceedings below.

Their public speeches have been cautious.

Less so Minogue. Debating the petrol-saving regulations, he left no room for doubt on his attitude to the fiscal regulator.

"The time has come for this Parliament to draw the line, to say that there are limits to the claims which may be made upon it on the grounds of necessity or expediency."

He urged more spread-out sittings of the House and a "more positive assertion" of the parliamentary statutes revision committee's authority to review regulations, "should an appropriate occasion arise".

The committee had, he said, made a "constructive and somewhat tentative assertion" of that authority in the case of the petrol-saving regulations.

His was, I think, the most perceptive comment on the committee's report.

The report was constructive in that it recommended some changes of merit.

It was tentative in that it dealt only with the mechanics of the regulations as they affected some individuals and not their broader impact on the community and the future of parliamentary democracy.

The case for the narrow approach was put by Geoff Thompson, a new Government lawyer MP from Horowhenua, — somewhat ironically in that he has been one of the scourges of regulations in the back rooms.

Thompson said the committee "does not have the power to scrutinise delegated legislation to the extent that it has control over the legislation."

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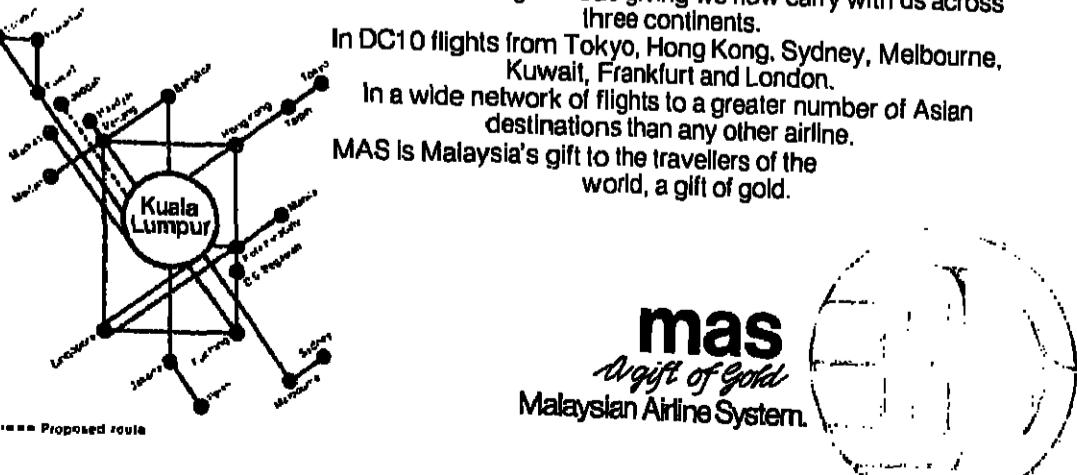
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Malaysian Airline System

Page 6 has the answer for the business traveller

Lignite night be cheaper prospect

by John Draper

OIL is black gold for tax purposes.

The same devices used to extract taxes from the pioneering gold miners, applied to the multi-national oil giants who started looking for oil in New Zealand in the 1960s.

And like many miners, the oil companies are not paying tax. Shell, BP and Todds have paid little tax since the Kapuni gas and condensate field was discovered in 1967.

But the British Government has decided it still wants more of the profits. The petroleum revenue tax, which is also production allowance, which allow up to one million tonnes a year to an accumulated total of 10 million tonnes to be produced tax free, will be halved.

The state owned British National Oil Company, as of right

has a 51 per cent stake in all oil fields.

The new tax provisions which will be introduced soon by

Margaret Thatcher's Conservative Government, though

devised by the previous Labour Government, will increase the

Government's take from the North Sea oil from around 70

per cent to 75 per cent.

The Norwegian takes between 37 per cent and

68 per cent of the income generated from its section of the

North Sea oil and gas fields.

But companies operating in the Norwegian sector can only

write off development expenditure for tax purposes after

production has commenced. A similar provision proposed by the

New Zealand Government has been vigorously opposed by

the oil companies.

A raft of investment provisions allow the complete write off

of exploration and development costs in the year they are incurred plus the estimated expenditure for the next two years.

Additional investment by a holding company in its sub-

sidiary and other provisions which will be deducted all add up

to a very generous tax package.

And to wrap the deal up even more attractively, Shell, BP

and Todds have extracted indemnities for both the Kapuni and

Maui fields against any changes in the tax laws.

And on the output of each field the companies pay three taxes. Royalties are 12.5 per cent, petrol revenue tax 15 per cent and finally corporation tax at 32 per cent. The first two are allowable deductions for the calculation of the third.

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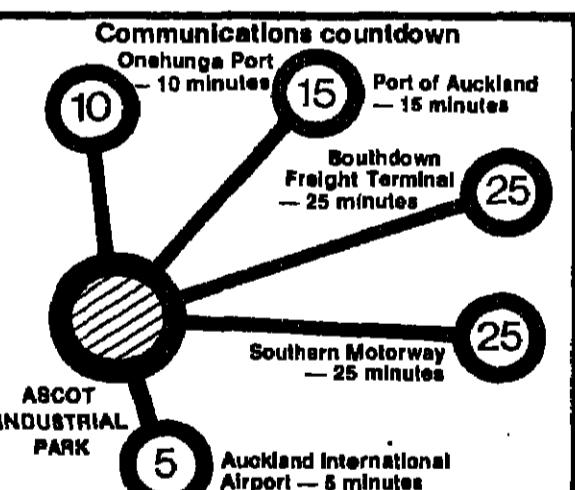
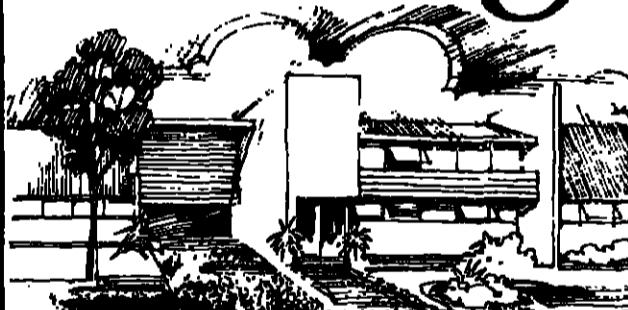
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EDITORIAL

THE Prime Minister is obviously having difficulties in persuading people that this country needs a "fiscal regulator". Even his own party caucus is resisting the Budget proposal, thus giving a refreshing demonstration that a Cabinet which has become increasingly powerful doesn't always ride roughshod over backbenchers.

But both our major parties have made general taxation changes without consulting Parliament, and — as the New Zealand Herald argued: "...one of the very dangers to which the public must now be alert is that past erosions of parliamentary prerogatives will be presented as precedents to justify a penultimate, if not quite final, assault on procedural checks and balances."

It is cheering to learn that there is still a great deal of concern within the National caucus about the fiscal regulator and the nature of various compromise proposals. At least one backbencher is reluctant to accept the scheme in any form. On the other hand, the Prime Minister won't accept the solution of changing Standing Orders to allow Parliament to be summoned quickly if needed during the summer recess, without having to go through the rigmarole of a Speech-from-the-Throne and Address-in-Reply.

Indexing income taxes — the obvious counter to the effects of fiscal drag, whereby inflation gradually pushes up the burden of income tax by pushing taxpayers into higher tax brackets — similarly seems to have scant appeal to the Prime Minister.

Thus the compromises presumably hinge on how many days may pass before Parliament must be called to validate a tax reduction made by Order-in-Council. Some backbenchers feel they should be in on the decision-making within 21 days, others think that as many as 40 days can go by.

The fact that caucus remains unconvinced about the wisdom of his plans hasn't deterred the Prime Minister (who still fails to recognise that his proposal is inherently repugnant in a Westminster-style democracy). We can now expect him to try to win public support with some hard-sell in the community. For example, he has requested space on the editorial page of the Herald to spell out his arguments. That would have me eating humble pie. Only a few weeks ago he was complaining in his regular Truth column about why he had no respect for the country's biggest daily newspaper.

The Prime Minister's case, of course, is concerned less with constitutional niceties than with economic realities. Above all, we feel the executive must be given the authority to move swiftly and without check to make adjustments to an economy which has become so susceptible to day-by-day influences that fine tuning is essential. But the volatility of the economy results, among other things, from the application of ill-considered ad hoc decisions in the past.

Only in recent weeks, there was the debacle of the sales tax embracing home-built houses being changed within days of its insisting for several months that electricity authorities hold price increases to some 5 per cent. Then suddenly he announced an increase of 80 per cent in the bulk tariff. That obviously hurried decision has had drastic repercussions in the manufacturing sector, is an important element in rising inflation, and is inconsistent with efforts to cut off consumption.

Behind the fiscal regulator is the assumption that the executive is blessed with some divine wisdom which must be freed from constraint to best resolve economic problems. But these examples throw doubt on the notion that the executive more ponderous procedures cannot achieve.

Bob Edlin

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THE shadow of Gleneagles lies long over Prime Minister Rob Muldoon.

He will get an earful of it in Lusaka next month when Commonwealth heads of Government meet. And the subject threatens to crop up again at a Commonwealth Parliament Association conference in Wellington in November.

The CPA executive, we are told, nominated New Zealand to lead the debate on "Africa south of the Sahara".

Muldoon, however, has demurred. He has suggested that New Zealand should lead instead on the topic "The security of the smaller countries of the Commonwealth".

He has good reason to demur. New Zealand has fastidiously refused to acknowledge that Africa south of the Sahara has any value to us, even to the extent of the honey sample.

But maybe they have it figured that Beethoven wasn't 100 per cent in the listening department by the time he was through with his career, and that was good enough for Ludwig.

No value to us, except, of course, our precious sporting contact with South Africa, bete blanche of the rest of the continent.

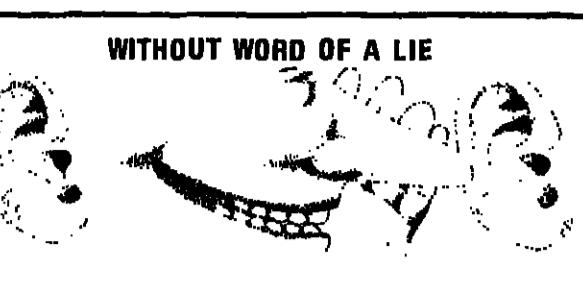
On that, the two main New Zealand political parties disagree. They disagree also on the country's attitude to the rest of Africa, Labour wanting much more involvement with our black brothers than National.

In those circumstances the "lead" New Zealand might give to a debate on Africa might resemble the legendary messenger who jumped on his horse and rode madly off in all directions.

NEW Zealand honey isn't good enough for the German market, according to Stern magazine, Germany's answer to Time or Newsweek.

Dr Jost H Dustmann, of the National Institute for Bee Studies, tested a wide range of honeys, and found most of them wanting.

He sent samples to six scientific institutes to be



checked to determine whether sugar had been added, or whether they had been heated past 40°C — a temperature at which enzymes and other natural components are destroyed.

Management has had its attention drawn to the problem, but — perhaps because of the financial problems of the Broadcasting Corporation — it hasn't come across with the sort of miffing decor that would keep players happy as they swing their way through a few bars of double fortissimo.

But maybe they have it figured that Beethoven wasn't 100 per cent in the listening department by the time he was through with his career, and that was good enough for Ludwig.

The news was brought to our office hard on the heels of a record that a certain middle-distance runner had broken a world record and that Princess Anne had just done her thing for New Zealand Sports Federation in what was obviously a great week for the Brits.

WHILE things look gloomy to the building industry on its home front, and the New Builders Federation may be wondering about its prospects of survival, there seems to be potential for building supplies if they join the export drive.

Staff at the New Zealand High Commission in Singapore give one glimmer of a prospect with the advice that a "highly placed government official" estimates that Singapore will be spending \$NZ150 billion on building in the next five years. And he thinks with the right market penetration strategies, New Zealand suppliers of building materials can get a share of this.

THE British perhaps can claim their first bit of gold from the Moscow Olympics.

At least, we note that the multinational Rank Xerox has raced to pick up the plumb of being appointed sole official supplier of xerographic copying services to the 1980 Olympic Games in Moscow.

According to the company's official announcement, the company will provide more than 100 plain-paper copier and duplicators on free loan during the Games under an agreement signed with the organising committee. And contracts have been signed for the purchase and servicing — with the participation of Soviet service engineers — of a further 100 machines which will form part of the total communications system for the 1980 Games.

And just to show that his success was no flash-in-the-pan effort in the sporting field, the corporation will be hand in hand at the eighth Mediterranean Games in Yugoslavia this September supplying copier and duplicating machines.

Most of the attention since the Budget announcement of the fiscal regulator — the reduction of income tax rates while Parliament is not sitting — have centred round the undesirability of breaking a longstanding parliamentary tradition that income tax rates are set only by Parliament.

McLean specifically and emphatically refused to comment on this aspect in the interview he gave to NBR.

McLean argued that sensible Keynesian counter-cyclical policies are still very useful.

To achieve that, you have got to use both monetary and fiscal measures and they must be in step."

The technical requirement was, that going into a boom "effective tax rates" — that is, the rate of tax as a proportion of total individual incomes — should be increased.

Going into a major downturn, the effective tax rates should not be increased.

McLean said that inflation caused effective tax rates to increase — a phenomenon known as fiscal drag.

Thus, in inflationary times the top could be taken off a boom by the automatic operation of fiscal drag.

But to prevent a slide into a recession effective tax rates could only be cut by cutting actual rates.

McLean said that there was a lag between six and seven months between the time ordinary people made buying or saving decisions and the time an adjustment to tax rates could take effect.

There was some lag between the buying/savings decisions and the actual transactions. There was another three or four months till the statistics recording those transactions became available to decision-makers.

There was probably another one or two months gap while decision-makers assessed the statistics and announced changes. The fiscal effect of those changes would take at least another month.

In addition, external shocks — a fall in commodity prices, a

MP puts economic case for fiscal regulator

by Colin James

AS THE Government appeared to be moving toward a constitutional compromise over the "fiscal regulator", National Business Review late last week found someone prepared to put the economic case for quick changes to income tax rates.

"You can't expect to make decisions in the January-June period and be right for the whole year," McLean said.

"It is necessary to be able to quite readily make changes in tax rates, particularly to prevent a slide into recession."

"The other side — taking the top off a boom — is taken care of automatically by fiscal drag."

McLean said predictions were so hairy and information came through so late that the Government had to be able to make reductions in the effect

contraction of markets for manufactured exports or a rise in oil prices — could occur at any time.

Indexation of tax rates did not solve the problem. It just put it the other way round.

"It would stop you sliding into recession, but it would not allow fiscal drag to take the top off boom," McLean said.

"This would create problems for democratic governments which always find it more difficult to increase tax rates than reduce them.

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gradually enlisted the support of older backbenchers and even a minority of the Caucus — said to include Deputy Prime Minister Brian Talboys.

Last week they appeared to be heading toward some sort of compromise, based on parliamentary approval within some, as yet undecided, time span.

But, though Muldoon asserted at his post-caucus press conference last week that a majority of MPs seemed to favour use of the regulator, there were still some who were unconvinced that it could not be done through calling a Purliamentary meeting.

Though Muldoon claims a

light mail on the subject, some backbenchers say their mail has been heavy and that party workers have reacted with dismay to the proposal.

The big question remained open last week — whether some might feel strongly enough to cross the floor and vote against it. It only needs a handful to join the Opposition to kill the proposal dead.

Last week I came across only one who was determined to take opposition that far, plus one other seriously considering it.

Meanwhile, both MPs and Muldoon are keen to "get finality" on the issue at the caucus meeting this Thursday.

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...I didn't have a job and I was worse than broke. I owed more than \$50,000 and my only assets were my wife and 8 children. We were renting an old house in a decaying neighborhood, driving a 5-year old car that was falling apart, and had maybe a couple of hundred dollars in the bank.

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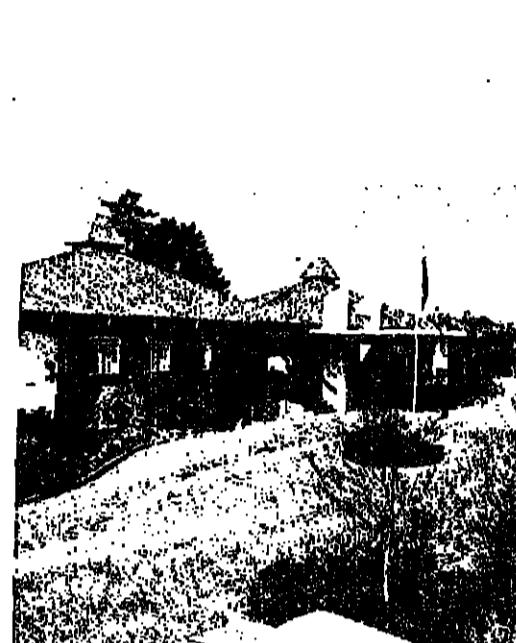
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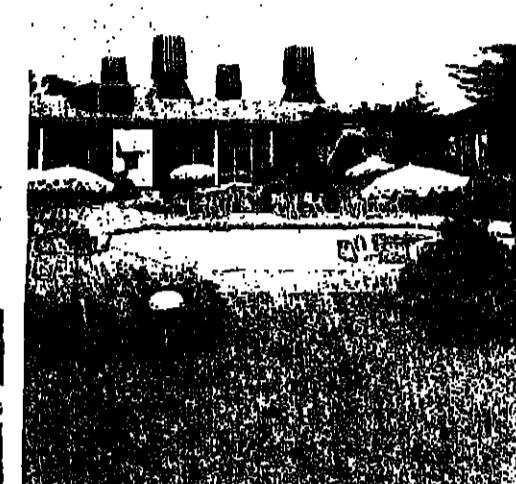
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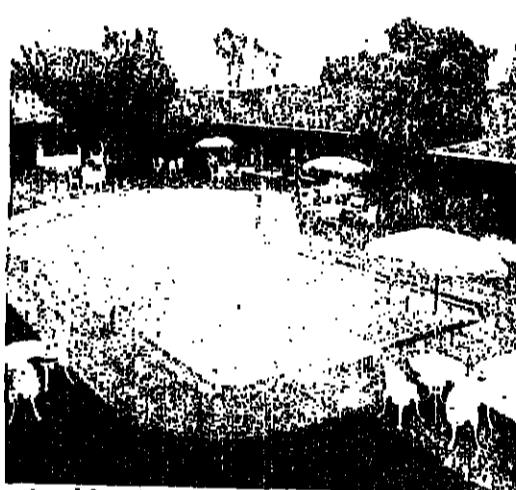
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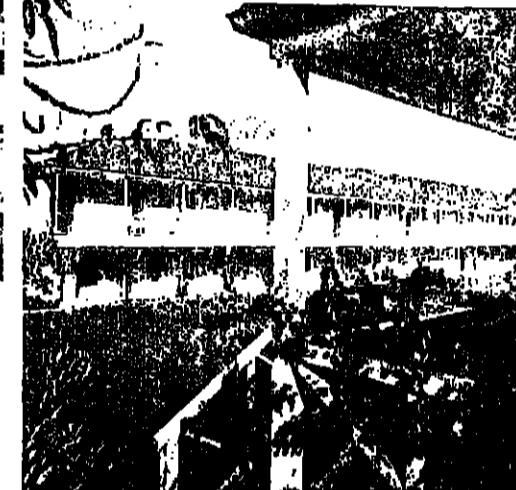
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Fare inquiry leak sends Terminating societies : only in NZ TAANZ chiefs for cover

by Rae Mazengarb

by Warren Berryman
DIRECTORS of the Travel Agents Association of New Zealand (TAANZ) have scuttled for cover after publication in NBR of the Ministry of Transport's investigation into the cut-rate fares offered by the Link Association.

TAANZ always maintains it is working in the best interests of the consumer. But concern for the consumer might not be immediately obvious to the public if TAANZ knocked Link's cheap tour packages.

Link has achieved amazing growth in recent years. And its members are not complaining about the services offered, including stopover packages and hotel rooms at as little as \$15 a night in addition to air fares discounted by up to 26 per cent below the cheapest price offered by TAANZ members.

But TAANZ policy is to stop all club discounting.

This policy, and the matter of leaks to the press, should enliven the debate when the TAANZ airline committee meets in Auckland on July 31.

It is claimed that the contracts are so worded that it is

who leaked the information to NBR.

TAANZ directors have been informed on a confidential basis by their executive director, Peter Lowry, that the leaks did not come from the TAANZ executive.

Link is undercutting TAANZ air fares by up to 26 per cent. TAANZ members don't like it. But they're not sure how Link can cut its fares by such a big amount under existing tariff regulations.

The fare-cutting arrangement involves Link, Sabena Belgian Airlines and Air New Zealand.

The situation was understandably delicate when TAANZ pressed the Ministry of Transport into investigating a fare-cutting deal which might involve the Government-owned carrier.

While Link and Air New Zealand are busy answering the Ministry of Transport's questions, the prime concern for TAANZ and the ministry is

difficult to visualise any circumstances where a member could take legal action against a society.

Added to this is the complaint that would-be homeseekers are not always able to obtain finance at a time when it is needed.

There are three ways of securing a housing loan — by ballot, tender, or application.

Returns from societies show that only between 3 and 5 per cent of members may have won a ballot after 10 years and only between 5 and 7 per cent after 15 years, so the chances are slim.

A shareholder can tender for a loan. But his tender is considered along with other members in the group and the highest tender is accepted.

Loans by application are at a set rate of interest and the shareholder must have been a member of the group for a qualifying period.

It has been said that this period is often increased by the society after the member has committed himself to the group for at least 10 years.

Major criticisms of the societies stem from the nature of the contract between the societies and their members and the high forfeiture rate.

It is claimed that the contracts are so worded that it is

Muldoon said: "What an outcry there would be if members of the public lost in one year more than \$3 million in a single company which failed. I personally view the magnitude of the forfeited monies with some concern."

Officials say if radical changes are not effected soon, the societies may be asked to run down their existing operations.

Not only are they out of favour with the politicians, it is clear that some investors, too, are becoming disillusioned with the return on funds they put with the societies.

Attracted to the terminating societies by the ballots which appeal to their gambling instincts, members have been calling it quits and cancelling memberships at a steady rate over the last four years.

Membership has dropped by about 15,000 since 1975, though total funds have been increasing and now stand at \$46 million.

While membership has waned, proceeds from the forfeiture of shares is on the increase — up by more than 35 per cent to \$3.17 million in the past financial year.

This brings the total for the past four years to \$9.25 million.

Government is not happy with the terminating societies and the systems under which they operate.

Prime Minister Rob Muldoon expressed his dissatisfaction recently when he called for some "prompt action" by the societies to put their houses in order.

While admitting that the forfeitures are spread over the various terminating societies,

interest rates offered by a proliferation of other institutions in the money race — investors are fast growing cynical about the nebulous returns offered by the terminating societies.

There were hints that if the initiative did not come from within the societies "without over-much delay", the Government would step in.

Directors of the societies will meet shortly to work out acceptable proposals for change.

But the Registrar of Building Societies, Kelvin Prisk, said the terminating societies are finished as we know them today, unless they can find a way to meet the criticisms that are being made of them.

The Building Societies Act 1965, under which they operate, will be amended to allow for the societies to function under any new system that is suggested.

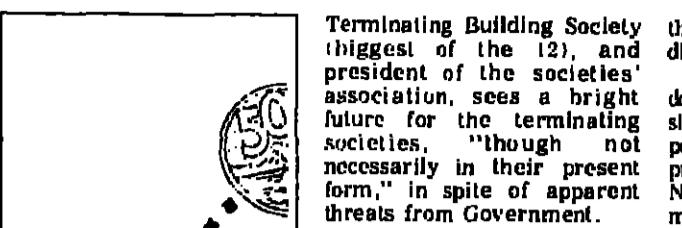
Inflation has killed the appeal the societies once had for the investors.

The possibility of winning a ballot which qualifies the shareholder for a loan, cash, or a mixture of both, has been the best selling point for the terminating societies in the past.

But the chances of winning — at least in the first 15 years of membership — are remote. And when the shareholder's number finally comes up, it's rarely at a time when he needs a loan. Thus many opt for a cash payment.

And while the members are locked into long-term contracts, no interest is paid.

With inflation climbing rapidly, reflected in dramatic



THE MONEY MARKET

that they operate as two divisions under the one hat.

These developments will no doubt find favour politically, since, as PM Rob Muldoon pointed out, there are at present 55 building societies in New Zealand — "still far too many".

But the developments along these lines have been interpreted in various ways by various commentators and some have gone as far as saying the moves are because the terminating societies have "seen the writing on the wall".

In a recent paper commissioned by the National Housing Commission, N J Burtt, of the NZ Institute of Economic Research, lumps them in with insurance companies.

The returns on funds invested with insurance companies and terminating building societies are... difficult to assess and this could be one reason why such investments have, and could continue to become, relatively less attractive. It is not surprising therefore to learn of terminating building societies and some large finance companies taking a more active interest in the activities of permanent (i.e. deposit-taking) building societies".

So what role are they filling at present?

Muldoon has commended the societies as a whole for their contribution to housing

Currently advances on

mortgages by the terminating

associations

A further development is a

tendency for brother societies

to become so closely merged



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Securitibank: creditors vote for consortium

by Warren Berryman
THE Securitibank investors consortium won a clear victory over Government assignee Ernie Gould at last week's creditor's meeting.

Securitibank creditors voted overwhelmingly in favour of the consortium's nominees for joint liquidators. Chas Sturt and Harold Goodman.

Creditors were also 10 to three in favour of the consortium resolution that the liquidator be requested to join the \$50 million action for civil recovery against the shareholders and directors of the Securitibank group.

Gould, the official assignee and acting Securitibank liquidator, chaired the creditors meeting.

He opposed the consortium's nominees for liquidator, and its resolution that the liquidators be requested to join, and pay for the legal action against the liquidator.

In his court report following the meeting, Gould strongly recommended against the appointment of Chas Sturt as a liquidator. Sturt, according to Gould, hadn't the necessary experience for the job.

If Sturt was chosen for his investigative skills, Gould said, it would be cheaper to hire an investigator than to have one as joint liquidator.

Gould said he did not consider Sturt's police experience a suitable substitute for the skills required as liquidator.

Gould told creditors they had the power only to recommend a liquidator — the Court makes the appointment. In his last judgement Mr Justice Barker made it clear the court was not just a rubber stamp. The court hearing is set for Monday, after NBR went to print.

It is known that Gould will oppose Sturt's appointment on professional grounds. Gould and Sturt also have a long standing personal enmity.

Gould said he did not want the job of liquidator himself and that the job should go to someone from the private sector.

He said the first question that the creditors must ask themselves is, do they want a liquidator other than the official assignee? And secondly, who that person should be?

Creditors nominated four

pairs of joint liquidators: Sturt and Goodman, Bryan Kennington and Bruce Christmas (both of Wilkinson Wilberfoiss); Gerry Rea and Bruce Stowell (both of Gilfillan, Morris — Co.); and Francis Jolly and Murray Wells (both of Jolly Duncan & Wells).

Gould used the proxies signed over to the official assignee, valuing more than \$8.3 million, to vote for Kensington and Christmas.

The consortium has always maintained that any Securitibank liquidator must be and be seen to be totally independent from any Securitibank shareholder or director.

Consortium members have expressed distrust of Gould on the grounds that he, as a senior Government servant, was not independent from the two Government-owned shareholders of Securitibank: Government Life and State Insurance.

Gould rejects any suggestion that his impartiality as court officer impaired by the fact that he is a Government servant.

As to the choice of liquidator, Gould has in the past pointed to the small size of New Zealand, the large number of big shareholders of Securitibank, and asked how many competent men are left to choose from that have not in some way been touched by Securitibank?

For Gould, the choice of liquidator should be decided on grounds of competence.

For the consortium, independence was the key criterion. This is especially so now with the prospect of suing the shareholders and directors staring the new liquidator in the face.

When nominating Sturt and Goodman, consortium supporter and Auckland accountant, Jack Anderson said he had looked at the nine largest accountancy firms in this country.

All of them had been tied to Securitibank shareholders in some way. Audit fees to these nine firms paid by Securitibank shareholders totalled more than \$300,000, with an average audit fee of \$60,000.

Anderson said that even if these people might be independent they might not be seen to be independent.

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Sturt, Anderson said, had been chosen for his investigative skills. Sturt, now a lawyer, was previously with the fraud squad.

Sturt was hired by the late Keith Crawshaw (previous Securitibank liquidator) to investigate together with accountant Michael Watson, the possibility of the liquidator suing Securitibank shareholders and directors, saying this decision was precipitous.

Gould said he based this decision on the legal advice he had to date.

He made it clear that he was not against the idea of the liquidator suing in principle. He said he would want to be very sure the odds favoured success before he risked creditors' money in such an expensive legal action.

Gould offered his personal view saying: "I think the consortium continued to advertise, using the names of its blue chip shareholders to make the group appear reliable, and took money from the public (at least \$19 million) from the date of the May meetings until the collapse in December 1976.

But, Gould said: "The knowledge of the affairs of the group was very closely held. I

Legal costs are estimated at \$500,000.

Only the Securitibank liquidator has the financial resources available to carry on the action.

Gould opposed the resolution to recommend that the liquidator join the action against the shareholders, knowingly and willingly continued to take money from the public when they knew themselves to be insolvent and unlikely to be able to repay this debt.

The consortium maintained that suing the shareholders the only way creditors can get their money back. He said that, as dividends to unsecured creditors might be as low as cents in the dollar, the creditors should risk losing the dollar of their original investment in an attempt to recover from Securitibank shareholders.

As they entered the hall, creditors were handed a report from Gould on the affairs of Securitibank over the last few months of its existence. And the group continued to advertise, using the names of its blue chip shareholders to make the group appear reliable, and took money from the public (at least \$19 million) from the date of the May meetings until the collapse in December 1976.

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NBR BUSINESS WEEK

Govts guide investors through state labyrinth

by Peter V O'Brien

THE Government is setting up an "investment unit" with personnel drawn from departments, and a private sector representative, to attract overseas investment and guide potential investors through the administrative labyrinth.

The IDA's Industrial Plan 1977-80 (yes, there are plans in other countries) explains how the functions are fulfilled: "through industrial promotion, the utilisation of financial and physical resources, and the deployment of its staff. IDA encourages individuals and companies, both private and State owned, to invest in manufacturing industry and to assist that investment. Through its Research Service for industry it endeavours to minimise job losses and dislocation in firms. IDA also operates a limited service industry programme".

The general structure is outlined here, together with the types of incentives offered. The overall approach to incentives is:

"The incentive package must be competitive with that available in other European countries... including a range of incentive tools (grants, loan guarantees, interest subsidies, tax relief etc.) and allow flexible administration to accommodate individual project requirements... easily understood and be secure. Uncertainty about the continuity of incentives could have adverse implications for the investment and employment targets".

The IDA interprets the mandate as having three central aims (a) to assist in the

ports until 1990. After 1978, those companies can transfer to a new basis of corporation tax, which will apply to all tax, which will apply to all companies irrespective of exports or other production.

The new company tax rate is 10 per cent, and will apply until at least the year 2000. (All political parties have a commitment to the industrial development programme and to economic planning.)

In regard to depreciation, 100 per cent of the total cost of fixed plant and machinery can be written-off in the first year.

In under-developed areas an additional investment



IRELAND...industrial growth makes ground.

through regional offices, with fourteen overseas offices, including one in Sydney.

Details of specific development programmes will be given in the second article.

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Uncertainty about the

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ployment targets".

That is coupled with

government tax policies.

Companies which set up

operations before 1978, or in

this year, pay no tax on ex-

added value (most of which goes to people inside the country) well beyond the level of that investment.

But a company does not automatically qualify for the grants and allowances. A comprehensive set of guidelines exists for the submission of industrial proposals, and it is clear that if you fail to measure up then you miss out.

The authority's 1977-80 plan is based on the creation of 47,000 "new grant-aided manufacturing jobs and 2500 service jobs in the years 1977-80". In 1978 the IDA approved more than 30,000 jobs in industries negotiated in that year and exceeded its target of 27,000. The job creation programme takes account of redundancies and closures. This was a problem between 1973 and 1976, but the programme recognises that inefficient and non-competitive firms are a drain on resources and weaken an overall economic strategy which is based on allowing "competition to blow through the economy". The application of IDA programmes to that slogan will be considered next week.

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	(Dec-Jan, 22,000 Est. D line 13th fl, Mo prior 25, Jan, 3, Feb, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 77	

Analysing annual accounts

by Peter V O'Brien

A document titled The Fletcher Group Annual Report 1978 is circulating in the finance world. It may be thought that some new corporate beast has come into being, but closer examination reveals small print inside saying it is the Thirty-ninth Annual Report of Fletcher Holdings Ltd, a well-known industrial, commercial and financial holding company based in Auckland, and one of the country's largest corporations.

Some executives find it strange that outsiders can misname their organisation. The company should put the correct name on the annual offering to shareholders and to the public.

Having established that we are talking about Fletcher Holdings Ltd, and its numerous subsidiaries, the report is well presented, and in keeping with the company's "leader" status. Fletcher dispenses of many criticisms often levelled here at financial

disclosure among public companies.

It is essential that such a large enterprise, with an extraordinarily wide range of interests should use divisional accounting to present its story. The company gives a breakdown of turnover, tax paid earnings, operating assets, return on assets and number of employees for six broad areas of activity: development and contracting, wood products, steel, concrete and aggregates, pulp and paper, and an umbrella of "other activities".

Fletcher has another analysis in a section group activities. The section provides similar information for sixteen areas of business, and is a useful guide to the total business.

The table gives turnover and profit per employee for each broad division, except the pulp and paper group where the information is excluded from the annual report. This section of company business relates to the 46.2 per cent interest in the Tasman Pulp

and Paper Co Ltd. The details are available in the report of the latter organisation. The table also includes the return on assets for each division.

notable omission from the accounts of many large companies (see NBR July 18, in relation to Alex Harvey Industries Ltd.)

Activity	Turnover per Employee \$	Tax paid earnings per Employee \$	Return on Assets p.c.
Development and Contracting	5,837	320	1.9
Wood Products	5,347	2,795	7.1
Steel	14,660	5,314	11.0
Concrete and Aggregates	10,694	496	1.2
Other Activities	78,740	8,103	2.2

exports, forestry development, and investment in plant, and investment in plant. Taxation adjustments are shown for other items. The final result, in the consolidated balance sheet, is a provision for taxation payments due this year of \$743,000, being \$332,000 in deferred 1978 terminal tax, and \$411,000 as "estimated liability for the current year's taxation, after making allowance for losses of the tax group".

Analysis of the tax position would be impossible without the detailed note, a point which other "leading" companies could note when they prepare their reports.

Other notes explain the movement in major balance sheet figures, broken down into components.

But one item of the balance sheet has been rather blandly treated in managing director's review. Fletcher wrote land stocks down \$2,311,000, and included the adjustment in a taxation offset on interest payable, foreign currency exchange losses, and non-trading items. The only reference in the report is:

"Also pleasing was the further progress made in disposing of assets and investments peripheral to the

In terms of the return on assets, steel was the most profitable activity last year, but "other activities" produced the most efficient employee result. The relatively poor showing in development and contracting, and in concrete and aggregates, is understandable in the difficult conditions facing the construction and house-building last year — conditions which will dampen down returns again in 1979-80. Fletcher produces a detailed breakdown on tax liability, a

Note sets out the incentives and allowances relating to

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For an invitation to these seminars, contact

AUCKLAND: JOHN WADSWORTH, PHONE 568066
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Or write to Box 9443, Wellington

Exchange rates

As at July 19, 1979 \$NZ is worth:

Australia	.9042	Malaysia	2.96
Britain	4.460	Netherlands	2.06
Canada	1.1924	New Caledonia	7.73
Fiji	.8250	and Tahiti	7.73
Japan	21.98	Norway	5.96
West Germany	1.8324	Pakistan	9.82
USA	1.0223	Papua-New Guinea	0.41
Austria	13.24	Portugal	4.89
Belgium	24.31	Singapore	2.15
China	1.5391	South Africa	5
Denmark	5.2650	Spain	6.68
France	1.2710	Sri Lanka	0.71
Greece	36.78	Sweden	4
Hong Kong	5.2860	Switzerland	1.15
India	7.7097	Western Samoa	0.87
Italy	825.52	Selling rates supplied by G	

Key indicators

Consumer Price Index - all groups base Dec 1971 = 100		June 79 Qtr.	June 78	1977	1976	1975
Building Permits issued		\$81.7m	\$81.7m	101.7	101.7	101.7
Official Unemployment		\$120.1m	\$120.1m	107.7m	107.7m	107.7m
Registered Unemployed - incl those on special work schemes		\$104.8m	\$104.8m	42.818	42.818	42.818
NZ100 Share Price Index		302.17	302.17	533.08	533.08	533.08
Reserve Bank Share Price Index		1413	1413	1380	1380	1380

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Small businesses face fundraising difficulties

by Peter V O'Brien

"THE difficulty of raising finance is the most common problem facing small business owner-managers," according to the annual report of the Small Business Agency, a division of the Development Finance Corporation.

Other problems cover a wide range of business activity. The Agency received 2253

enquiries in the period to March, 1979. It commenced operations in June, 1978.

The report refers to 3150

problems from those

enquiries. The breakdown is in

table.

The agency referred people

to outside agencies, and in

some cases more than one

referral was made in relation

to a particular enquiry. This

explains why the total of 2334

referrals is more than the 2253

enquiries received to March 31. The "referrals most often used by SBA counsellors" were:

Accountants 502, Bankers 272, Lawyers 172, Department of Trade and Industry 232

General 107, Export liaison

officers 125, Development

Finance Corporation 349

export potential 140, applied

technology 56, SBA 114, other

391 Miscellaneous 807.

Several small business

managers-owners may need to

be referred to services

provided by Trade and

Industry, and DFC and

"miscellaneous". The large

number of referrals to ac-

countants, lawyers and

bankers is intriguing. What

are the firms' existing ac-

countants, lawyers and

bankers doing if people have to

be referred to members of

those professions? Or are the

problems outside the expertise

of the professionals already

working with small business?

A third possibility, that some

firms may be happily working

on without professional

assistance, is even more in-

triguing.

The report could not be

expected to provide detailed

information to answer those

questions.

It seems to confirm a view

about the nature of small

business which appears in

literature from similar

agencies overseas. It says:

"Profitability is limited in the early stages of a television rental contract, and although television placements have increased during the year under review, it has still been

possible to record a significant increase in profit".

The present state of the colour TV market should assist growth. The Department of Statistics figures for licensed television receivers show the trend.

The table gives statistics for privately owned and hired colour television sets in the last four December years, with the latter shown as a percentage of total colour sets:

December Year	Privately Owned	Hired	Hired as per cent of Total Colour
1975	139,595	25,048	15.2
1976	233,290	45,235	16.2
1977	313,290	66,874	17.6
1978	383,556	98,098	20.4

At the end of April, 1979, there were 505,336 licensed colour television sets in the country (about one for every 6 of the population), and 104,833, or 20.7 per cent, were hired.

Rising retail prices have helped rental growth, although a combination of higher prices and general cost movements also affect the rental charges on new placements.

A substantial number of hired sets are placed in hotels and motels, and the growth in market penetration is tapering off.

Half a million colour sets is

an impressive number for a

little over 3 million people.

The increasing preference for rental, as shown in the table, should allow further growth in that section of the market. Transvision is well placed to take a good share of the preference.

It will be interesting to see whether the public continues the movement to rental when the time comes to replace existing sets. Colour television was introduced at the end of 1973, so the replacement market will take time to ap-

pear.

Transvision shareholders

are doing well, but there may

be room for further gains,

assuming current financial

polices are maintained in

future, and that no problems

arise with rental payments in

ECONOMIC INDICATORS

EXTERNAL TRADE

As recorded in Reserve Bank record of Overseas Exchange Transactions.

Period	Latest	Previous Year	% Change
Exports			
Meat	May 79	\$150.8m	\$92.5m
	May 79 yr	\$1176.6m	\$899.0m
	May 79	57.6m	56.8m
Wool	May 79	57.6m	56.8m
	May 79	\$736.7m	\$608.4m
	May 79	537.5m	520.0m
Dairy Products	May 79	537.5m	520.0m
	May 79 yr	\$625.6m	590.9m
Forest	May 79	528.4m	520.3m
	May 79 yr	\$207.8m	\$283.2m
Manufactured	May 79	565.3m	538.9m
	May 79 yr	\$563.1m	\$496.6m
Total Exports	May 79	564.5m	538.5m
	May 79 yr	\$402.0m	\$339.8m
Imports	May 79	511.6m	517.5m
Government	May 79	\$189.4m	179.2m
	May 79	\$300.7m	\$234.4m
Private	May 79	\$3122.5m	\$2855.5m
	May 79	\$12.3m	\$25.1m
Total Imports	May 79	\$3311.8m	\$3024.8m
Balance on Trade Transactions	May 79	+\$142.0m	+\$88.0m
	May 79 yr	+\$740.1m	+\$568.1m
Balance on Invisibles	May 79	-\$14.3m	-\$10.6m
Official Overseas Reserves	May 79	\$1124.5m	\$870.0m
	May 79	5043.5m	3971.9m

FREIGHT MOVEMENTS

FINANCIAL

LABOUR FORCE

PRODUCTION

INTERNAL TRADE

Economic News

Industrial Stoppages

The following table contains information released by the Department of Statistics on industrial stoppages for the quarter ending 31st March 1979.

Item	March 1979 Quarter*	March 1978
Total number of stoppages	177	100
Total duration	4,220	8
Number of workers involved	51,132	21
Working days lost	84,356	50
Average days lost per worker involved	1.72	0.76
Approx. loss in wages \$1000)	2395.6	20

*Provisional

Sharemarket News

Bonus Issues of Ordinary Shares Pending

Company	Ratio	Meeting	BKS Close Inclusive	Ex
Airwork	1:10	24/8	1 Sep	
Aurora	1:5	NFT	21/7	1 Aug
BNSW	1:5			
+Ceramco	1:10A			
Commetal	1:10			
*Dmclwal	1:10A	10/8	1 Sep	
Eadems	1:4			
Eldersgm	1:4			
Healing	1:10			
Indchem	1:5			
Jamesav	1:4			
Lustroid	1:3			
Mim	1:4	21/8	1 Aug	
+NZMC	1:5A			
+NZSteel	1:10A	9/8	16 Aug	
Progent	1:5A			
Smithbio	1:5			
Sxhotel	1:10			
+Wineill	1:8A	14/8	18 Aug	

A = Shares arising from bonus issue participate in dividend, see schedule

* = Changed Rates

+ = Additional or amended information

Current Debenture Issues

Company	Open
A.A. Finance	14 Feb 1979
Allied Finance	21/10/65
Auric Corporation	1/10/65
Aust Guarantee	1/10/65
BNZ Finance	22/5/71
Bowring Burgess	18/6/71
Broadlands	15/5/71
Challenge	11/10/71
Credit & Investments	1/10/71
Crown Finance	27/5/71
Finance & Discounts	21/10/71
F & P Dealer Rentals	14/5/71
*General Finance	15/6/71
General Motors	30/4/71
Foodstuffs (Otago Southland)	11/5/71
International Harvester	1/5/71
Lake Ohau Skifield	5/5/71
Lombard N.Z.	1/5/71
Marac Holdings	26/2/71
Medical Securities	14/6/71
N.Z.I. Finance	15/5/71
Paterson & Barr Finance	22/2/71
Retail Developments Ltd	20/3/71
South Cantry Finance	20/3/71
Tappenden	21/2/71
Transvision	28/2/71
U.D.C. Deb Stock & Unsecured NTS	7/2/71

*Changed Rates

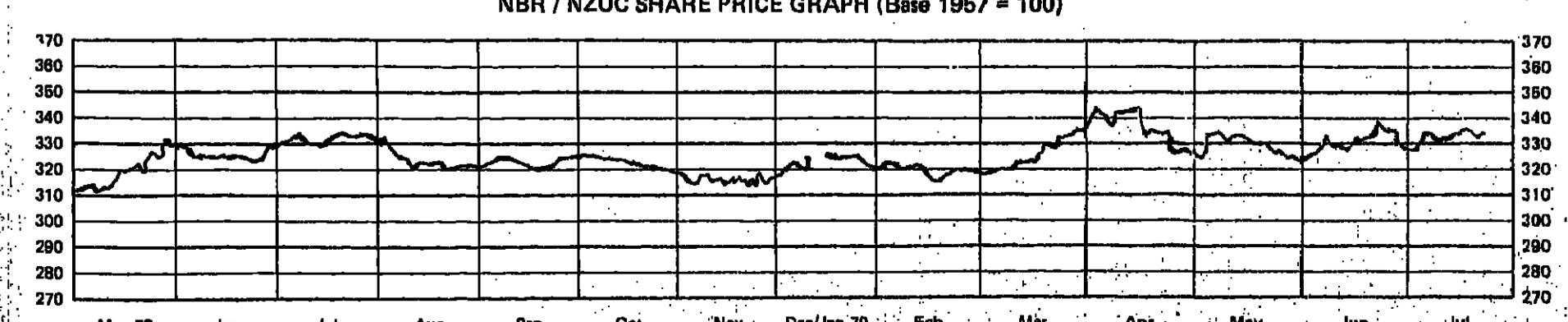
NBR SHAREMARKET SURVEY

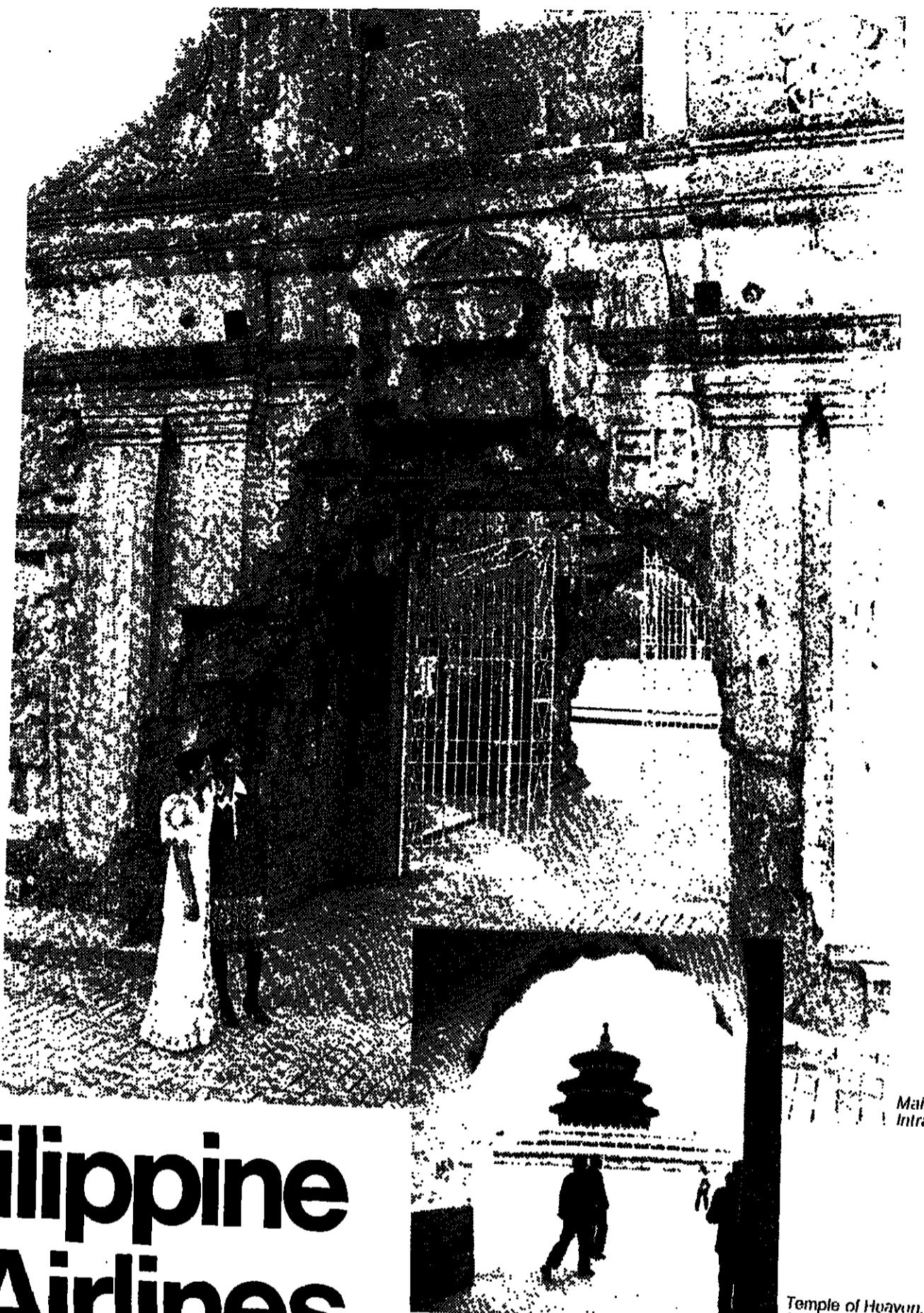
WEEK ENDING JULY 19, 1979

Share Price Index Statistics April, 1979

NZUC	Year to Date	High	343.37 (Apr)
Month	High	317.10 (Feb)	
Reserve Bank	Year to date	High	1483 (Apr)
	Month to date	High	1344 (Feb)
	Low	1376	

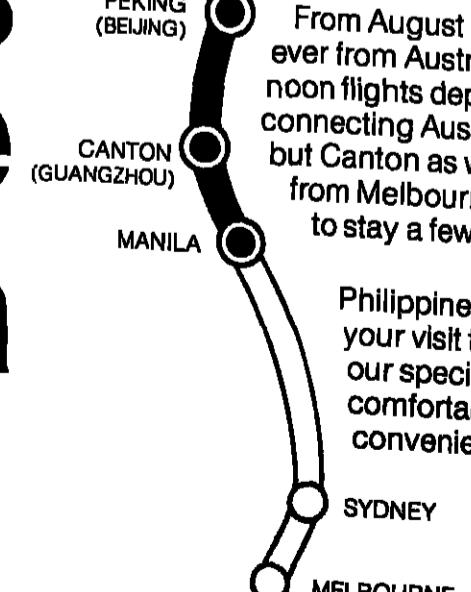
NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)





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*Subject to Government approval.

Small fry parry in insurance mass marketing

by John Sloan

MASS marketing of life insurance in New Zealand has not been a battle between the giants, but rather has been fought among the midgets, such as APA Life Ltd and Capital Life Insurance Co.

Both these companies continue to extensively direct mail advertise life insurance. Obviously the approach is successful.

APA has adopted a similar approach to market a direct mail medical care scheme.

Both companies have adapted the direct mail technique from overseas, tailoring the approach to the peculiarities of the New Zealand life insurance market.

Significantly, both the APA and Capital Life attribute their success to market research which detects what the public wants, then designs the insurance policy to meet that need.

Last year, Capital Life became the first life insurer in New Zealand to sell term life insurance by mass marketing methods. Its results for the past 10 months are:

Long-term policy brings long-term rewards

ARGUMENTS against term insurance were expressed by the retiring general manager of the AMP Society, K W Steel.

Steel linked the value of permanent life insurance protection with the long-term benefit of the country.

The AMP Society has significant interests in Australia in mineral mining and pastoral farming. "But

we're using the argument that customers were better off renting their insurance protection than buying it. "The

fact is that you can renew most rental contracts at any age except life insurance," Steel said. "At 60 or 70 the risks are high and the premiums reflect this.

"In putting our emphasis on whole-of-life insurance, not only are we doing what is best for our policy-holders' personal interests, but we are doing what is best for everybody's interests.

"The long-term nature of whole-of-life insurance enables insurance companies to make long-term investments which will benefit the economy as a whole.

The AMP's entry into mining and pastoral farming in Australia were examples of how large amounts of capital allied to "scientific know-how and marketing skills" could be invested medium to long-term to create assets which previously remained undeveloped, Steel said.

"There is a tendency today for some commentators to advocate term insurance as the only satisfactory form of protection in times of high inflation.

"Similar developments could take place in New Zealand," he said.

"But they will only be possible if the industry base is one of long-term investment for long-term rewards."

Liability becomes real

TO ATTRACT insurance "invincible" overseas earnings the 1978 Budget promised "that syndicate investment gains derived by New Zealand member of Lloyds syndicates will be exempt from tax, from April 1, 1978".

Several well-heeled New Zealanders are already members of Lloyds syndicates and the recent taxation incentive may influence others to seek membership.

Membership of a Lloyds syndicate is privileged with strict entrance criteria.

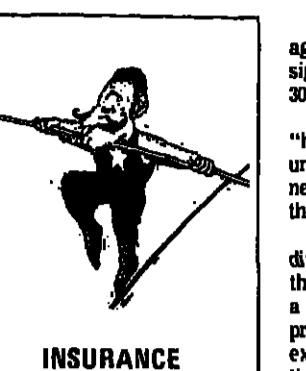
The principle of a Lloyds syndicate is the unlimited personal liability of the members — they cannot limit

or opt out of their liability. This unrestricted personal liability is becoming very real to members of one Lloyds syndicate, which encountered massive losses in 1976-77.

Each of the syndicates 110 members is being asked to contribute \$250,000 to meet the losses. They could be asked to pay more.

Massive collapses of Lloyds syndicates are rare, but the recent incident shows they can occur.

Any New Zealander considering membership should realize that Lloyds is the same as any other investment — the risks and along with the rewards.



INSURANCE

Features of this are the high aggregate sum insured and the significant portion sold to the 30 to 40 age group.

The latter is attributed to "high inflation and economic uncertainty highlighting the need for locking up cover at the lowest possible cost".

Peter Crellin, managing director of Capital Life, said that term life insurance can be a temporary solution to problems but remains the least expensive method of protecting one's dependants.

Crellin predicts that the worldwide increase in the sale of term insurance will also occur in New Zealand.

Capital Life has moved into selling group term insurance to large groups such as the 12,000-strong Timber Workers Union. Crellin predicts bulk group selling is a growth area for life insurance and intends capitalising on their momentum.

Capital Life openly canvasses life insurance by offering mortgage finance. A circular for its Union Member Balanced Savings Plan promises "a mortgage money up to \$40,000 is available".

Such promises invite criticism from other life offices.

John Good, a life assurance consultant representing the Prudential Assurance Company, wrote to NBR: "As a life assurance underwriter for many years I am very concerned that Capital Life are introducing a further mortgage orientated policy known as Farmfund."

"From past experience with their Cahill Plan I personally have had several clients who surrendered Prudential and other policies in favour of Cahill Plan and were unable to obtain mortgage money after the qualifying period.

As a limited liability company, Capital Life must return a profit to its shareholders and they indicate we're an irritant. But we're growing, we've got fresher ideas and we're not hobbled by a large agency force."

Stuart Wilson, the retiring sales manager for New Zealand of the National Mutual Life, said changes in social



JOHN GOOD ... reflects on discontinuance.

Therefore I am concerned that the same could happen with Farmfund."

Good concluded: "Also if I personally have experienced this problem, how many more agents in New Zealand have experienced the same? And furthermore, how many disgruntled policy-holders must they have, which surely reflects in Capital Life's high policy discontinuance".

Good's criticism is echoed by other life offices, which commented on Capital Life reducing its bonus rate to \$15 per thousand to \$10 per thousand which is considered the minimum bonus level.

As a limited liability company, Capital Life must return a profit to its shareholders and they indicate we're an irritant. But we're growing, we've got fresher ideas and we're not hobbled by a large agency force."

Stuart Wilson, the retiring sales manager for New Zealand of the National Mutual Life, said changes in social



STUART WILSON ... uncapped new market.

recent reduction in Capital Life's bonus rate.

Crellin, on investment

returns, openly admits: "The

investment performance of life

assurance has been overtaken

by the increasing interest

rates available through other

savings and investments. A

typical example would be

Government savings stock

offering 11 per cent a year for

as little as 12 months. Also

savings banks and building

societies are able to offer in-

vestment rewards greater

than ordinary insurance

provides".

Asked how the big life offices

viewed Capital Life — "a

threat or a minor irritant?" —

Crellin conceded "We're small

and they indicate we're an

irritant. But we're growing,

we've got fresher ideas and

we're not hobbled by a large

agency force".

The skilled advice of the life

office's professional agent was

still much sought after, he

said.

"My personal belief is that

the professional agent will

continue to be the major force

through which the over-

whelming bulk of life in-

surance in this country will be

sold".



PETER CRELLIN ... predicts increase

structures and family patterns

"have created a new market

for life insurance that is still

virtually untapped".

When Wilson began his career with National Mutual in 1932, only a small range of simple and well tested policies were sold. Now the range of contracts offered is wide and varied.

Wilson said: "There is now much innovation among the leading life offices to provide products that are in harmony with consumers current needs. There have been greater efforts to find out what these needs are and to endeavour to meet them."

The skilled advice of the life

office's professional agent was

still much sought after, he

said.

"My personal belief is that

the professional agent will

continue to be the major force

through which the over-

whelming bulk of life in-

surance in this country will be

sold".

The Australian Railway Research and Development Organisation (ARRDO) has been established to provide an independent national centre for analytical research into administrative, economic, planning and policy matters relating to government railway systems in Australia. Among its aims are to improve the overall efficiency of rail systems and to reduce the impact of railway deficits on government budgets. ARRDO's research is directed towards organisational and management activities; there is no intention currently to undertake technological research.

ARRDO is seeking to make two senior appointments to newly established positions within the Organisation.

DEPUTY EXECUTIVE DIRECTOR

The prime role of the person appointed will be to ensure that the ARRDO program is carried out efficiently and effectively. To the extent necessary for this role the Deputy Executive Director will be involved in the formulation of program proposals, and in liaison with relevant people outside ARRDO. The Deputy Executive Director will report directly to the Executive Director and, on occasion, deputise for him.

It is likely that the person appointed will have strong tertiary qualifications in one or more disciplines, and considerable experience of problem solving in a transport environment, preferably rail. Bringing about the implementation of soundly based approaches to the situations confronting government rail systems in Australia is a key requirement for ARRDO. The Deputy Executive Director will therefore need to have demonstrated capabilities in directing R & D effort to this end. Experience in managing in an R & D environment is essential, as is the ability to establish effective communication with groups involved in ARRDO activities.

MANAGER, OPERATIONAL PLANNING DIVISION

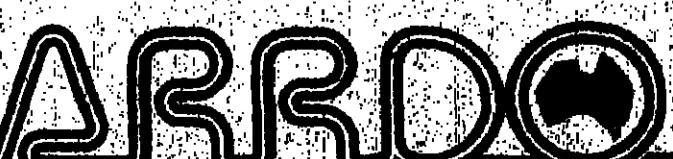
As one of three divisional managers reporting to the Deputy Executive Director, the Operational Planning Manager will have prime responsibility for divisional aspects of the ARRDO program. The appointment will be exposed to identify the most appropriate divisional program, effectively promote that to top management and the Board, acquire and develop necessary resources, co-ordinate the program and direct staff in program execution. Effective communication with other groups and other planning professionals will be essential. The successful applicant will have at least a good first degree in a numerate discipline. The person will have had significant experience both as practitioner and as a manager in an applied research environment. In essence, a person familiar with a systems approach to defining and resolving problems is sought. Additionally, the person appointed will be capable of effectively leading and developing staff.

Salary and Conditions

The terms of appointment are currently being finalised. A salary of approximately \$30,000 for the Deputy Executive Director, and \$27,000 for the Divisional Manager, can be taken as a guide. Conditions of service are likely to be similar to the Australian Public Service.

Assistance will be provided in relocating the appointee and family. Further information about ARRDO can be obtained from the Secretary, 575-576 Lonsdale Street, Melbourne, Victoria, 3000, Australia.

Applications, which close on Friday, 24th August, 1979, should be marked "Personnel" and addressed to the Executive Director, ARRDO, at the above address.



Souvenir shops neglect Japanese tourists

by Wayne Brittenden

"NEW Zealand has been neglecting the shopping needs of Japanese tourists", says Bunichiro Suzuki, manager of the international section of the corporate planning department of the Japan Travel Bureau, Japan's largest travel firm.

Suzuki has made several trips to New Zealand, and he feels that "special arrangements" should be made for Japanese visitors before the expected boost in numbers when direct air services begin next year.

"If New Zealanders want to

provide hospitality, they must make Japanese travellers more welcome by providing better shopping facilities.

"Many arrive at weekends, and Sunday especially is a day when it's impossible to visit any stores. New Zealanders have to understand the origins of the Japanese craze for souvenir buying — it's taken very seriously by most travellers, because it's seen to be a duty."

Suzuki explains that in early Japan, the only travel permitted among the common people was for religious pilgrimages. Representatives or pilgrims were given

farewell gifts, usually money.

When they returned, they brought back souvenirs from the temple as a token of their worship on behalf of the villagers. This was seen not only as a gesture of repayment, but also as proof of the journey.

According to Suzuki, New Zealand's hotel souvenir shops generally contain a small selection, poorly presented.

"More information about what is a typical New Zealand souvenir is required", he insists.

"Clearly, this is in the interest of New Zealand too. There's a need for more places

where those tourists can spend their money.

"They're in a holiday mood, and they're more than willing."

The outspoken Japanese travel executive also has a few cryptic words on Maori culture.

He says New Zealand publicise centres too much on Rotorua — "rather like a Red Indian reservation, instead of such programmes had to appeal unless they were to specific purpose and didn't fit in a crowded schedule."

Wayne Brittenden is New Zealand's correspondent in Tokyo.

Several years' experience in

Japan, the only travel permitted among the common people was for religious pilgrimages. Representatives or pilgrims were given

Headhunter harvests benefits

EXECUTIVE headhunter and management consultant John Wareham is finding rich pickings in the Big Apple.

New York executives were falling over each other to get into a seminar given by the New Zealand-born founder of Wareham Associates at the Waldorf Astoria Hotel recently. Many were turned away.

Wareham founded his business in Wellington in 1964 and now has offices in Christchurch, Auckland, Melbourne, Sydney, Chicago and New York, where he now lives.

And like other recent New Zealand business magnates, Wareham is breaking into print.

A "substantial five figure advance" has been made by a New York publisher for "Secrets of Corporate

Headhunting", due for release next Spring.

The book is already being billed as the executive recruitment agent's answer to David Ogilvy's best selling "Confessions of an Advertising Man", also from Atheneum Publishers.

In between chapters Wareham is returning home to deliver his successful seminar "Managing people for profit" in Wellington, Christchurch and Auckland.

The package is being advertised as "an intensive two day management seminar for the executive charged with the responsibility of achieving results through people".

Beginning at 9 a.m. "prompt", the seminar will cover topics ranging from how to build a productive, stable, satisfied and synergistic organisation, how to motivate

an organisation and Machiavelli in management.

Perhaps the first lesson the management consultant on the application form Zealander pay \$175 to two days. Australians \$125. Americans \$400.

Excerpts from the contract read:

"I...hereby set over and assign to you to absolutely the copyright and any other right in or over the said works including the right of reproduction thereof either wholly or in part or in use with any other works of whatsoever nature and whether for public or private use, or in any manner howsoever as you in your absolute and unfettered discretion may think fit and for all or any advertising purposes whatsoever or any purpose associated with advertising.

"I acknowledge and agree that you shall be at liberty at any time and from time to time to use the said works and any reproductions copies extracts or excerpts thereof in any manner or form and whether retouched or altered in any manner whatsoever, as you in your absolute and unfeathered discretion may think fit and in any medium whatsoever and either separately or in conjunction with any other material of any advertising nature or non advertising nature and I hereby expressly authorise you or any person authorised by you to attribute to me in any advertisement of whatsoever nature conveyed by whatsoever medium any statement expression comment or words as you or they may desire to use".

"This done, Pye said, the association would launch a campaign to promote the specialised business media to advertising agencies.

Pye said she would also ask the 4As for a system of ad agency accreditation for those buying space in member publications.

Pye's "clean up campaign" began last month with a directive stating that from January 1980 all member companies will have properly audited circulations for all

material, indefinitely. This quite frequently left the model-actor embarrassed, overexposed and without redress.

The current rate for appearing in a 30 second commercial to be used for one year is \$700.

Often, says Farr, models and actors have been offered far less than that.

"It has been impossible for a model or actor to see a fee for a job because it has been difficult to find out what is going to be done with the material," he said.

"An agency may have only intended an ad for short-term local use, but if their client likes it, it could be on television right after night for a year or two. When this happens the model is overexposed.

"If the advertisement is successful, the model is associated with the product and is left unemployable because of his or her overexposure.

"So far, agencies have insisted on their freedom very much at the expense of the models and actors," he said.

Grey Wiggs has been negotiating on behalf of the advertising agencies.

"It's understood that the new contract will enter for individual mediums (for example television, press, etc), that it will state rates for specific mediums and specific jobs and state the end use of the work.

Wiggs couldn't comment on whether models or actors used for long running or high exposure work would be compensated on a royalties or "residuals" basis — this was still under negotiation.

Currently, these payments are made only to models and actors with "strong bargaining power" Wiggs said.

material world where all business publications are not audited."

There are 292 business and trade publications in New Zealand. Of these, 18 are audited by the ABC.

Ninety of these 292 publications belong to association member companies. Seven of these are audited, and are published by four members.

The four companies are: IPC Business Press, Merchantile Gazette, Fourth Estate Group (National Business Review) and Shortland Educational Publications (Pye, managing editor of Shortland).

Media buyers in the ad agencies welcomed the move. One said: "Without an audit we have to take the publisher's word that his circulation is what he says it is".

Pye's move is supported by Glen Lenoel, association vice president and publisher of IPC Business Press (Travel Trade, Cart, Logging, and Building Material News).

Lenoel said: "New Zealand is the last country in the

to sell advertising space.

Members of this school ask why any publisher should refuse to have his circulation audited since the cost is only \$100 or so.

An opposing school of thought argues that audits place an undue emphasis on circulation, when, with a specialised publication, it is often not how many, but who reads it that counts from the advertiser's point of view.

The upshot of the audit controversy is likely to be a reduction in association membership from the present 23 members to 15 by Christmas.

The possibility that some members might be lost on the way does not seem to worry Pye.

"If we want to be heard as a serious part of the publishing industry, to promote ourselves to the advertising agencies, we've got to put our own house in order first," she said.

"The BPA has been in existence for 11 years and what has it achieved? We either take a positive approach or close down the association," she said.

Pye and Lenoel were in Wellington talking to the 4As, the other day, about agency support for their drive for audited circulations and for a system of accreditation for agencies.

Both Pye and Lenoel complain that the business press is receiving an increasing demand for the 20 per cent agency commission from a growing number of small ad agencies with dubious financial backgrounds.

They would like the 4As to set up a system of accredited agencies to deal with BPA members similar to that available to the Newspaper Publishers' Association.

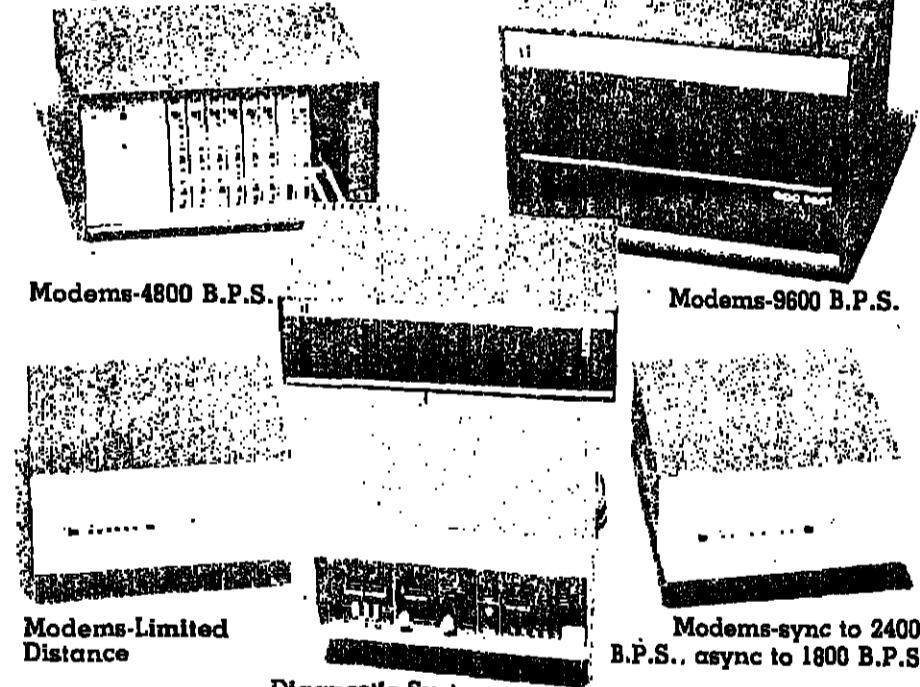
NPA accreditation is based on the volume of business offered by an agency. Accreditation for the BPA would probably not be based on volume but simply take the form of a credit check of the agency concerned.

Another object of Pye's visit to Wellington was to present a submission to Postmaster General Ben Couch, complaining about the heavy impact the 80 per cent increase in mailing post rates will have on the business press.

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CARTERTON: Peter Ameyong, Computer House, 76 Chester Street, P.O. Box 13147, Carterton. Telephone: 297-4800
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Record default losses hit mortgage insurers

Melbourne Correspondent:

A DRAMATIC increase in the number of Australians defaulting on home loans has led to a record \$46 million payment by Australian housing mortgage insurers for the financial year 1978-79.

The Government-guaranteed Housing Loans Insurance Corporation chairman Fitzpatrick said in Sydney recently that all Australian mortgage insurers were facing large claims and the trend showed no signs of abating.

The HLIC itself reported claims approaching \$43 million for the 1978-1979 financial year, with estimated receipts at \$45.7 million. Six years ago it was paying out one cent in the dollar, this year it is paying out about 50 cents in the dollar.

Fitzpatrick said claims had

grown by an average increase of almost 90 per cent over the past four years.

Its nearest private enterprise rival, the Mortgage Guarantee Insurance Corporation, is faring no better, having reported its first underwriting loss, following claims of \$41.9 million in 1978, an 87 per cent increase on the 1977 level.

The company is believed to have paid out 80 cents in bad debts for every dollar received in premium last year.

In all, the total premium income for Australian mortgage insurance for 1978-1979 is reported as \$41.2 million, of which about half will be paid out in bad debts.

In his annual report to Parliament last year, the Federal Insurance Commissioner warned of the losses that would be sustained by the mortgage insurers should the

recession deepen. Certainly in the sixth year of recession, an increase in the number of claims is to be expected, but it is the rate of the increase which is causing the concern among the mortgage insurers.

According to HLIC the principal reasons for the failure of a growing number of

Australians to pay their mortgages are: unemployment; divorce; and over commitment on hire purchase.

A study carried out by the Royal Commission on Human Relationships has shown that two incomes are frequently necessary for an Australian couple to repay the average house mortgage.

In the event of divorce or unemployment, payment of the mortgage at higher interest rates, based on 1972-1976 boom valuations becomes impossible. Another factor which has led to the mortgage insurers' loss is the low price of housing fetched at current mortgages' auction — well below the valuations of 1972-1976 upon which many insurance policies were assessed.

In consequence, insurers are compensating the building societies and banks for the substantial difference between the insured value and that realised at auction. Currently the net sale proceeds, with allowance for selling expenses are about 13 per cent lower than the original value.

As the rate of bad debt from one in 980 in 1972-1973, to one in 921 in 1978, so the insurers become increasingly laxity with which give loans to home buyers.

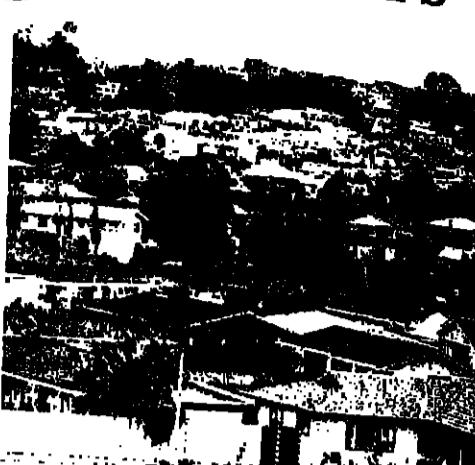
Fitzpatrick told delegates at a forum on housing that building societies not expect any relaxation on lending of The trend will continue towards more stringent loans by themselves in future, just they have relied upon the lenders to check on application.

The insurers claim many of their losses incurred through the lender, alleging where loans have been bankrupts and persons.

In future, they themselves will make checks on both supplied by lenders to the applicant's claim to capacity to repay.

Analysis of HLIC indicates that a disproportionate number of loan defaulters among home buyers prefer to borrow more than the rest of the population.

The paradox is Australia's mortgage loans, that by insuring the risk against the risk of loans, they have encouraged very high loan rates contributed to so many



THE AUSTRALIANS

MORTGAGE DEFAULTS...unemployment, divorce

Man stalls co-operation

COLIN James' analysis of Roger Douglas' influence on possible future Labour Party policy (NBR March 21) raises questions which every New Zealander interested in the political future of our country must consider.

Douglas' proposal described by James as "A list of priority industries must be established (presumably by the Government) and new capital directed by the Government if the banks will not co-operate" into those industries on a long-term basis... is a direct take from the Values Party's 1975 election manifesto. Those ideas were in that party's 1972 and 1978 manifestos in slightly different form.

Douglas' Labour superannuation scheme, killed by Muldoon, would have taxed all earnings at a percentage in excess of all net savings. This would have placed the title to assets in a Government-controlled board of directors. That was an indirect nationalisation of all savings. It would have resulted within a generation in the nationalisation of all productive assets, land as well as industries.

Arnold Nordmeyer would have soon been replaced with a Stalin of bureaucracy as head of the superannuation asset owning board. Stalins of so-called private enterprise conglomerates are exactly like political and bureaucratic Stalins. Historically, and in the new socialist dictatorships of the nations now becoming industrialised, Socialism-Communism in power has turned out to be the worst form of the capitalist evil of snowballing of power and wealth into the hands of the few.

Contract: freely made agreement between two parties, binding on both unless one party has the power to make laws whereupon it is binding only on the other.

Price increase: only cure known to all forms of public authority, monopolies and the professions for losing money. Forbidden to those not so easily protected.

Polity: a statement of overall intent. Now also a euphemism for a public authority "price increase".

Today, for the same reason as above, I add these:

Totalitarianism: mode of governing formerly abhorrent to New Zealanders now apparently being reappraised. Basic tenets are conviction that all wisdom is harboured at the top.

National problem: an undesirable phenomenon, the responsibility for which is passed back to the people.

Fine tuning: a mix of intelligent observation,

the size of your business, chances are an OPL system will save you big money, too.

The OPL laundry package offers:

• Heavy duty industrial washers and dryers designed especially for OPL.

• Specially formulated chemicals.

• The backing of one of New Zealand's leading sales and service organisations.

No ironing needed

The universal use of cotton/polyester fabrics today eliminates the need to iron bed linen or work garments. It is simply a matter of folding laundry items after the drying cycle to ensure a wrinkle-free finish.

Space is no problem

An OPL washer and dryer package takes up less space than most office desks. And OPL has the advantage of being easily operated by any member of your existing staff.

Major cost saving advantages

As an alternative to "outside" laundry services, OPL gives you far greater flexibility, plus positive cost-saving advantages. Because with an OPL system, your laundry costs are being reduced to an absolute minimum!

You keep complete control

Now there's no chance of being charged for the laundering of unused items! OPL means the laundry stays on your premises, so you keep control. And you'll never run short again!

It's certainly time to question your laundry bill! The OPL "on premise" laundry system helps almost every company to operate more profitably.

For instance, recently the OPL system saved one company \$27,000 by reducing its annual laundry bill by 50%! A smaller company produced a 39% saving with the OPL system. Whatever

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An OPL washer and dryer package takes up less space than most office desks. And OPL has the advantage of being easily operated by any member of your existing staff.

Major cost saving advantages

As an alternative to "outside" laundry services, OPL gives you far greater flexibility, plus positive cost-saving advantages. Because with an OPL system, your laundry costs are being reduced to an absolute minimum!

You keep complete control

Now there's no chance of being charged for the laundering of unused items! OPL means the laundry stays on your premises, so you keep control. And you'll never run short again!

It's certainly time to question your laundry bill! The OPL "on premise" laundry system helps almost every company to operate more profitably.

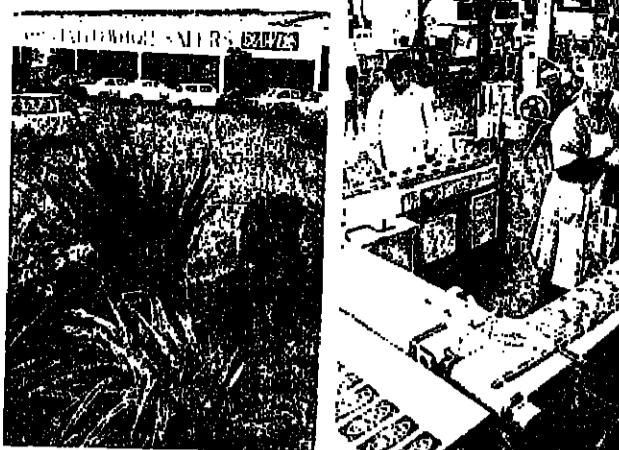
For instance, recently the OPL system saved one company \$27,000 by reducing its annual laundry bill by 50%! A smaller company produced a 39% saving with the OPL system. Whatever

the size of your business, chances are an OPL system will save you big money, too.

The OPL laundry package offers:

• Heavy duty industrial washers and dryers designed especially for OPL.

• Specially formulated chemicals.



by Bellinda Gillespie

L D NATHAN and Co Ltd has gobbled up one major chain of stores this year, and looks set to make a second course of it.

If McKenzies follows Woolworths, consumerists may agree with Roger Douglas' description of the takeover as "yet another example of the hellbent trend to monopoly."

But Prime Minister Rob Muldoon does not share Douglas' vision of the consuming public and smaller commercial enterprises sitting back helplessly while Nathans, by far the biggest single retailing enterprise in New Zealand, swallows all com-

In April this year he opened Nathans' huge \$7 million distribution complex at Wiri.

Referring to Nathans's acquisition of Woolworths, he noted approvingly that with Nathans' 21 "Supervalue" supermarkets added to those of Woolworths, there were now a total of 120 trading under the Woolworths' name.

"We have a powerful retail group," said Muldoon.

"The efficiency of the overall operation will, I hope, be so strengthened by the facilities this complex offers that the customers will gain.

"The grouping together of firms should, ideally, be both for the benefit of shareholders and the public."

The test of private enterprise, said Muldoon, is that it must work not just in its own interests, but also in the wider interests of the people.

Muldoon depicted L D Nathan as a family company, strong on civic responsibilities.

Starting in a tent on the Auckland beach front, the founder of the firm, David Nathan, had started selling groceries and general merchandise to the Auckland public, and had been at it ever since.

Although Nathan's had diversified, the company had contained its operations within enterprises which had a common thread.

David Nathan not only laid the foundation stone of the first Auckland Synagogue in 1884 —



If the Examiner is not happy with the proposal, he can withhold consent and refer the matter to the Commerce Commission for full public inquiry.

Among the trade practices deemed contrary to the public interest under the act are some which the public might feel could result from Nathans' move to aard's "rationalisation" of the country's only two comparable variety chain stores.

In towns throughout New Zealand, Woolworths and McKenzies have stores side by side. If one were closed, the

L D Nathans spreads

other would benefit and competition would be eliminated.

Trade practices which push up prices and keep them up would, under the act, contrary to the public interest. So is preventing a reduction in costs, increasing profits, preventing competition, limiting or preventing a supply of goods, and reducing the variety of goods available.

As well as these effects on the individual consumer any merger, takeover or monopoly must be viewed in a broader way, with regard to "any economic or other effects — on the well-being of the people of New Zealand".

Nathans' chairman, K V Coe, in an April announcement of profit increases of nearly 13 per cent over the previous half year, said that the company's intensive restructuring process would avoid duplication of effort and cost.

The group's broad field of interest gave it a resilience which compensated for "pressures on performance" — such as a demand for goods not readily available at manufacturer level.

He looked forward to a second half year which would see substantial changes in premises, plant and personnel, with "further premises identified to be sold".

"The major industries in which we trade are highly competitive," Coe stated.

Policy committed them to high-volume, low-margin distribution.

"In a free enterprise economy companies like ours should be allowed to develop their businesses with the maximum possible freedom and with a full sense of responsibility to the community."

When Super Value stores (subsidiaries of L D Nathan) were placed under the Woolworths banner, Nathans' director R Reilly said centralisation was the only way to reduce the high costs previously associated with wholesaling and distribution.

Nathans is taking advantage of an economic climate where takeovers are easily accomplished, but it could advance the arguments to by Ron Brierley in favour what he calls "industry rationalisation," for its own benefit.

Takeovers of companies, such as McKenzies, with strong family traditions of their own, can cause a loss of vigour in the smaller, but still successful, company, particularly if key personnel are

both to Woolworth stores independent buyers.

Even if the McKenzies takeover did not result in closures, it should present opportunities for combining under one management.

McKenzies itself has been affected by the static nature of the retail trade. Last year

was its worst since 1975.

In a recommendation

shareholders to accept

Nathans bid, the director

is giving tacit acceptance

chairman H W Huie's view

that the time has come to

some rationalisation with

New Zealand's retail busi

ness.

In a period of slow

population and decreasing

purchasing power, he says

market for retail goods

served by too many shop

keepers.

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Behind such

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chase of McKenzies is the

wholesaling and distribution

side.

Nathans' size, strength and

determination to streamline

the purchase, storage, trans-

port and distribution of

groceries and other goods

works in the consumer interest

as long as the company purs-

ues a policy of passing on

financial advantages, and

competition remains vigorous.

Inevitably it will be at the

cost of some jobs.

But there is not a strong case

for the view that the Nathans

company is taking over the

grocery trade, or indeed any

one area of retailing.

diversity not monopoly

This, Brierley has said, could be the most important factor in restructuring the economy in the next three to five years.

New Zealand, with its thinly spread population of three million, cannot afford to act like a country many times its size.

Shifting population trends have led to the formation of far too many small, inefficient companies and the country as a whole has grossly excessive productive capacity. Capital is not being properly utilised, and there is an urgent need to tidy up the country's manufacturing and distribution services.

Against this, takeovers can have a cost in human terms, if not by reducing the availability of jobs, by reducing their quality in many cases.

Takeovers of companies, such as McKenzies, with strong family traditions of their own, can cause a loss of vigour in the smaller, but still successful, company, particularly if key personnel are

lost.

Ivan Reddish, chairman of the Combined State Services Union, has backed the Shop Employees Association in its bid for an official inquiry into the proposed McKenzies takeover.

Reddish says that past experience has shown that mergers inevitably lead to staff redundancies, which would be unfortunate in time of high unemployment.

He shares the Douglas view of the takeover as evidence of a disturbing growth of monopolies in New Zealand.

Coupled with the dismantling of price controls, the process "could only mean the date and costly — it is

inevitable that ways of in-

dustry cooperation will be

found whereby cost increases

can be better contained and consumer confidence in

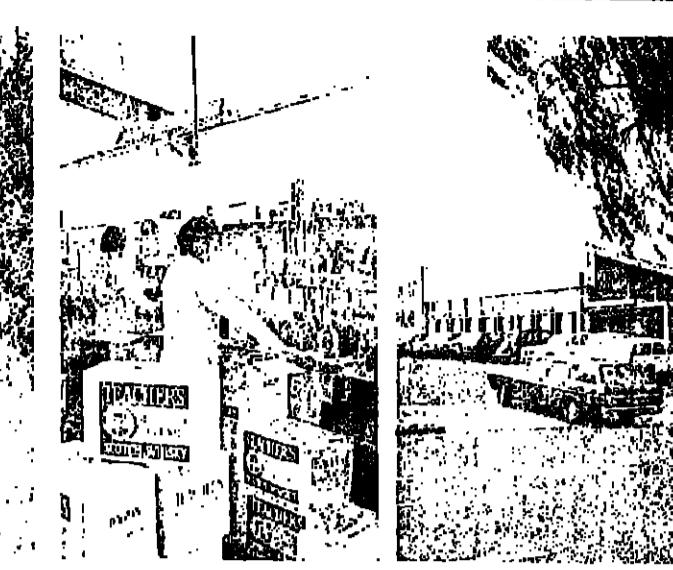
pricing levels restored".

Against this, takeovers can have a cost in human terms, if not by reducing the availability of jobs, by reducing their quality in many cases.

Behind such "rationalisations" in the retail sector as the would-be purchase of McKenzies is the wholesaling and distribution

side.

Wiri Distribution Centre



offer credit and "in depth" range of goods, or other services for customer convenience.

In the Depression, McKenzies did well while other retailers languished. But the present recession has not created a climate where the low cost outlet flourishes.

Nathans forges further ahead in retail stakes

L D NATHAN and Co is the biggest single retailer in the country. It has 120 Woolworths outlets with an expected turnover of \$250 million out of a total group turnover of \$450 million for this year.

If McKenzies' sales of \$45.3 million were added to this figure, Nathans would be virtually in the \$300 million league.

Farmers Trading Company is next biggest among the retailers, with sales of \$125.5 million last year. It has 66 shops throughout the country.

Behind it trails Haywrights, among the department stores, with sales last year of \$30.4 million.

The number of shops has been trimmed to a mere five in the North Island, and 12 in the South Island, with eight stores to be sold this year.

The Cooperative Foodstuffs NZ Ltd, overshadows Nathans' grocery wholesaling and retailing operation with a chain of Four Square and New World shops throughout the country numbering 1511. Estimated retail sales for the year are \$883 million.

Under its parent Foodstuffs NZ Ltd, four independent co-operatives exist in each of the main geographical regions, each with its own board of directors.

Nathans faces stiff competition on the food side from:

• Auckland's Progressive

In both areas, vigorous competition exists.

The company has penetrated the grocery business but it does not equal in number or turnover Foodstuffs NZ, which although consisting of a chain of privately owned stores, can be regarded in some respects as a single market force.

As a variety-chain, or department store, Farmers Trading Company is next biggest among the retailers, with sales of \$125.5 million last year. It has 66 shops throughout the country.

With a total of 33,000 retailers in the country, talk of a Nathans monopoly is unrealistic.

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Databank link opens pathway out of isolation

by Warren Berryman

DISTANCE has long been the bane of the New Zealand businessman. Distance isolates him from the mainstream of technological advance and often leaves him out in the cold when it comes to up to date export market information.

Local manufacturers frequently struggle with a problem, unaware that it has been encountered and overcome overseas.

New Zealand exporters too often go abroad with a sample case and little or no knowledge of the market they hope to enter.

Inventors labour over inventions that are already subject to overseas patents, and planners plan in isolation, unaware of ebb and flows of world trade.

As Export Institute director Ross Southcombe succinctly put it: "There is no point in New Zealanders reinventing the wheel".

New Zealand's problem has

been isolation from information.

But computer technology and a little help from the New Zealand Post Office is likely to change all that by providing cheap and easy access to the world's greatest repository of information held in databanks throughout the United States and Europe.

The hundreds of American databanks, each specialising in particular topics ranging from accounting to zoology, are organised under vendor organisations, or databases, such as Lockheed's Dialog, the Systems Development Corporation's ORBIT, or the New York Times Database.

The American "freedom of information law" gives these databanks information from government departments as well as information gleaned through private research.

Access to this information need only be an arm's reach to the New Zealand businessman's phone.

Put simply, he phones his selected database over a Post

Office dateline. On reaching them, he places his phone handpiece on the acoustic coupler atop his portable keyboard terminal, types out his ID, the databank, and data required, and the computer in the American database takes over.

The businessman, if in a hurry, can request the information to come on line and be typed out on his terminal. Or he can have the information printed off line and posted to him.

The keyboard terminal will cost about \$400. Cost of access to the databases is paid on a computer time basis with charges ranging from \$25 to \$80 an hour.

The major cost at present is the international phone call. To the United States, it's \$150 to \$180 an hour.

There is only one dateline between New Zealand and the United States and this is overloaded.

One can use an ordinary toll

line (though this is frowned on) but the three minute blips interrupt the signal.

Present New Zealand users complain about the inadequacy of the present system. Often, they say, they are cut off in mid transmission and each recon-

nection costs them \$8.

The Post Office is working on a system that hopefully will both overcome the shortcomings in the system, and reduce costs to the user.

The system, to be completed this year, will establish a link from the New Zealand phone subscriber to two major

computer networks in the United States.

These networks, Telenet and Tymnet, establish an interface between the overseas user and the American databases. (see NBR May 30, 1979).

The Australians have in-

stalled a telecommunications

abstracts of chosen articles can either be sent on line or printed on the terminal or desk or posted to her from off line printout.

Or she might have to

articles needed.

"I am concerned that New Zealand is perpetuating its isolation," she said. "We have a wealth of natural gas and coal upon which our future could be built. But where our planners get their technical information?" she asked.

Other uses of the database mentioned by Smith included

Patent searches through Derwents;

A databank under the ORBIT umbrella;

Complete company searches giving information about their parent company, subsidiaries, product line, locations, etc.

Market research data for potential exporters;

Lists of companies supplying a product or likely to be in the market for a profit;

And information management techniques.

UEB managing director Tedencastle cited an example of the practical business benefit of such research.

UEB was developing its in-a-box container for the New Zealand wine industry. Access to a worldwide wealth of technical information through the databases kept UEB abreast of the latest on components, and techniques, bag in a box manufacturer.

"It helped us leap frog in technology," he said. As a result, Tedencastle said, UEB manufacturing process is the envy of American and Australian manufacturers which had been in the game longer than UEB.

Three years ago Smith heard about the American data base systems and decided to gain access to this information source. During the past few months AHI, Fletchers and NZFP followed suit.

Smith's prime concern is to convince the Post Office to install a multiple use public phone network similar to the Australians'. This, she said, would drastically reduce the cost of accessing US databases, but could only be justified if sufficient use could be forecast.

She organised a users group and now claims to have 30 to 40 potential users on her list.

The advantages of using databases are manifold, according to Smith.

First, information gathering by conventional means is becoming more expensive.

Smith gave as an example a researcher given the task of finding out the newest techniques in carbon manufacture.

The first step would be to choose an appropriate database.

The researcher might then request a list of all articles and papers published worldwide on the subject. From this list,

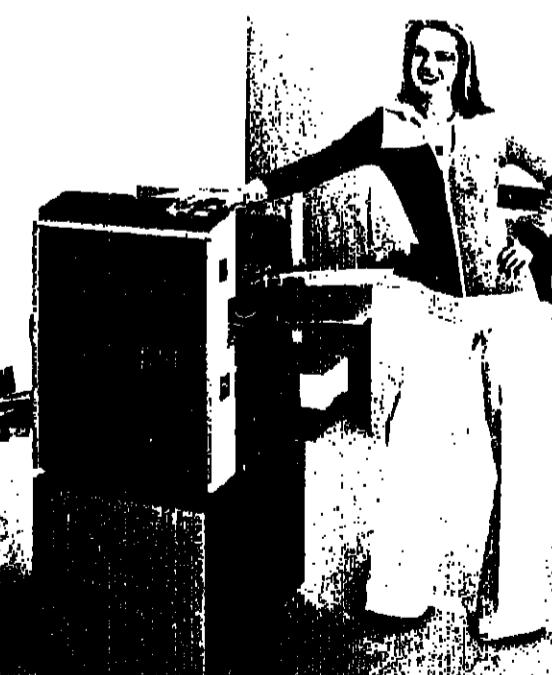


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Political expediency upstages national interest

by David Boswell

AT the fourth New Zealand Energy Conference, Energy Minister Bill Birch said the Government would publish a national energy policy before the end of the year. But an energy policy is required now — not in six months.

And if previous experience can be taken as a guide, when the policy is eventually produced it will be found that political expediency will have been given precedence over the national interest.

The situation is analogous to a miser who hoards gold to provide for a rainy day, while he goes about in rags and eats scraps.

It would also have provided an incentive for folk with oil-fired central heating in their homes to use electric radiators.

If the demand for electricity increased, more gas would be consumed at the New Plymouth, and soon Huntly, power stations. This would produce more condensate, and, by reducing our oil imports would reduce the drain on our overseas funds.

We have to pay for it now, although we will use it later, so it is simply compounding our present troubles.

This action would have reduced costs of both primary and secondary industry, held

or reduced the cost of living and so helped to curb inflation. And it would have been a factor in dampening down the inevitable demand for higher wages in the forthcoming wage negotiations.

Second, many of the resources beneath the earth's crust still await discovery. There is nothing to suggest that further exploration will not discover another field or fields of natural gas. Although the Maui field was claimed to be one of the largest in the world, subsequent research has proved that it is much more extensive than it was first claimed to be.

Professor Titchener, of Auckland University, on May 20, 1974, stated: "Calculations based on known reserves yield unrealistic short estimates of the life expectancy of a

person in some laboratory or shed could be perfecting some idea which could make the internal combustion engine obsolete.

The electric car is already a fact. We should remind ourselves that there have been more revolutionary changes and discoveries in this century than there have been in all the previous 18 centuries added together. Why should this process suddenly cease?

Third, the fact that our country is situated on the edge of the Pacific basin, the most unstable part of the earth's crust, how can we assume that, with one frail connection to our major gas source, this state of affairs will continue indefinitely?

The people of New Zealand have a huge investment in the Maui field and in hydro, geothermal and thermal power plants. The time is overdue for us to get a dividend from that investment.

Salary gap grows wider

THE salaries of top executives in New Zealand are falling further behind those in Australia. This disturbing trend has been confirmed by the latest PA-Greenwood salary survey.

The surveys cover more than 230 salaried positions ranging from junior staff to chief executives and was conducted simultaneously in Australia and New Zealand in March by PA Management Consultants Limited.

SALARIES DO NOT TELL THE COMPLETE STORY. There has been a trend in both countries over recent years for fringe benefits and other staff privileges to become increasingly important in the total remuneration package.

The surveys showed that in March, the average basic salary in New Zealand dollars paid to top executives in New Zealand engaged in marketing, finance and production, was about \$7200 less than that being paid in Australia dollars for similar jobs in New Zealand.

Again, the New Zealand executive is slipping behind. Take the case of company cars. The proportion of top executives in both countries receiving a company car is about the same but the Australian executive generally drives larger, more expensive cars than does his counterpart in New Zealand.

Five years ago the difference was around \$3600.

Australia begins to look even more attractive for New Zealand executives when the effects of rising living costs and income tax in the two countries are taken into account.

One of the effects of the growing differential can be seen in the numbers of professional, technical and managerial people leaving New Zealand, resulting in a net outflow of 5896 in the 11 months to end of February 1979.

But it is inflation which is the major cause of the widening

gap in real incomes.

Between March 1977 and March 1979 top executives in New Zealand saw their purchasing power of after tax salaries fall by between four and five per cent, while in Australia, over the same period, similar people enjoyed an increase in excess of 6 per cent.

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Electoral reform offers the chance to reduce

by Geoff Palmer

IN a democratic country like New Zealand there can be no doubt about whether the majority should rule. The question is what kind of majority should rule. People who vote exercise a choice. It is expected that the people who are elected will make decisions, a point that needs considerable refinement in the context of the New Zealand system of government.

The system recognises that it is not possible for all citizens to be involved in all public decisions. The whole of our system of government can be understood as a way of channelling communication between the voters and the decision-makers.

And the fact that voters vote exercises a check on the decisions of their representatives. Only by competitive election can the identity of the main decision-makers be changed.

In New Zealand, voting takes place after a public fight between contesting adversaries which are known as political parties. The parties ostensibly present contrasting views on issues; voters then decide which set of principles they want.

Results are decisive. Either a party controls all the power of government or none of it. At times in the past New Zealand has had conditions of political parties forming a government and that could recur in the future. But the dominant pattern of modern New Zealand is single party government.

The existence of the two party system in New Zealand, and the contest between the parties, has been the dominating feature in determining the nature of our government for the last 40 years.

are now signs in New Zealand that domination of the system by two parties alone will not continue. One way to reduce the importance of the party system is the use of referenda.

Referenda

From time to time important public issues in New Zealand are decided by referendum.

Referenda can be in two forms. The results can be made to have a legally binding effect, as in the liquor referendum held every three years in New Zealand. If prohibition were carried, for example, the statute under which the referendum is held provides for what happens in that event. Or a referendum

UNBRIDLED POWER?

An introduction to New Zealand's Constitutional Government
GEOFFREY PALMER



could be advisory, not producing any change in the law but its results being a guide for politicians.

A related method of decision-making is the free vote in parliament. Under that system, which has been used in recent years for liquor legislation, the capital punishment issue and abortion legislation; members of parliament do not vote in accordance with a party line but according to their own consciences.

The tangles into which parliament often gets itself over these issues, particularly abortion, is a result partly of the unaccustomed role for parliamentarians having a free vote and not having a means of working out new groupings, and partly of the passionate views of the community on these topics.

Although the introduction of more referenda to decide public issues has attractions, it would involve changes in our decision-making system. It use could encourage decision-makers to not make decisions and to wash their hands of the consequences. Ministers could say, with justice, that they could not be held accountable for policy decisions made by referendum. The irony is that by moving towards a pattern of frequent referenda, the public may believe it would receive government which was more accountable to it, when in reality it would be less so.

Decision on which issues to put to a referendum poses problems. The formulation of a particular issue to put to a referendum can cause great confusion. Questions must be put so that people understand them, so refinements cannot be incorporated if the issue is to remain comprehensible. Referenda are expensive to conduct. If an indication of public opinion on an issue is wanted, public opinion polls may be just as good. Nonetheless, referenda really are democratic.

They do give every one a

chance to have his or her voice heard. And they must reduce the level of public dissatisfaction with some types of decision. They are fairer than a free vote in parliament.

Use of referenda is common in the United States. The most dramatic provisions are contained in the constitution of the state of California. That constitution states that "the people reserve to themselves the power to propose laws and amendments to the Constitution, and to adopt or reject the same, at the polls independent of the Legislature, and also reserve the power, at their own option, to so adopt or reject any act, or section or part of any act, passed by the Legislature." (Article 4, s.1) Elaborate provisions give effect to that principle in three main ways:

- where a petition signed by a number of electors equal to 8 per cent of all the votes cast in the elections for governor is presented asking for an initiative measure to be put to the electors, then the proposition must be put at the next election. The petition must contain the proposed law in full.
- a petition can also be presented to the legislature where it is signed by 5 per cent of the electors as defined above and whether it is accepted or rejected by the legislature, the law proposed must be submitted to the people.
- acts passed by the legislature do not come into force for ninety days after the adjournment of the session and if 5 per cent of the electors as defined above so petition, any act or part of an act passed by the legislature must be submitted to a referendum.

All measures to be submitted to a vote of the electors, together with properly prepared arguments for and against each measure, must be mailed to each elector before they are voted on.

New Zealanders may reduce the grip of executive government and be more satisfied with public decision if a general statute were passed allowing for referenda to be held on important public questions where 100,000 qualified electors so petitioned. The Social Credit Political League made a similar suggestion in its 1978 election manifesto.

How system works

The present electoral system is the essence of simplicity. New Zealand elections work on

THE accompanying article is an edited extract from a chapter on electoral law from the new book on the New Zealand constitution by Geoffrey Palmer, professor of law at Victoria University in Wellington. The book, "Unbridled Power?" was published this week by Oxford University Press and will be available from bookshops at \$8.95.

a first-past-the-post system. In each electorate each eligible voter has one vote. The voter casts that vote for the candidate with most votes. If there are only two candidates the winner needs more than 50 per cent of the votes cast to win.

But now there are often four or more candidates. The candidate with most votes may not have as many votes as all his opponents combined although the candidate with most votes still wins. So a result can be reached where the elected candidate has a minority of the valid votes cast, say 40 per cent, while three other candidates received 60 per cent between them, none of the three receiving as many votes as the elected candidate.

The number of seats in the New Zealand House of Representatives is determined by the Electoral Act 1956, which has been amended on a number of occasions.

The boundaries are settled by the Representation Commission.

It should be observed that the Representation Commission contains a majority of politically neutral public servants.

The commission has demonstrated over a long period a complete lack of partiality to any political party. And the act gives politicians no ability to interfere with the apportionment arrived at by the commission.

Electorates are drawn on the basis of total population. Consideration is given to existing electoral boundaries, community of interest, facilities of communication and topographical features. The Electoral Act 1956 states: "The Commission may for any district make an allowance by way of addition or subtraction... to an extent not exceeding 5 per cent." (s. 17) Although the electorates are drawn up on the basis of total population, they vary quite markedly in the number of actual voters on the roll, total population and number of eligible voters and do not coincide very closely.

The question of continued separate representation for Maoris may reduce the grip of the two party system. The Maori seats are the smallest electorate had 18,640 on the roll and the largest 31,060. That difference of over 14,000 suggests that New Zealand's system of apportionment is not achieving

the ideal: one person, one vote. But by the standards of many overseas democracies the tolerances for the total population are low and result in drastic redrawing of boundaries after every census. The dedication in the current New Zealand electoral system to equality of total population produces in a country with difficult terrain considerable disruptions for politicians, political parties and communities.

The effect of the first-past-the-post system in New Zealand can be seen by a comparison between votes cast in favour of political parties and seats secured: parliament. The number of minor parties, other than National and Labour, has fluctuated between 10 and 15 per cent over the period 1954-78, but in all that time only parliamentary seats were secured by a third party — 86. Credit in 1968 and in 1978 it Beetham was first elected in 1978 at a general election — 86.

"We propose that a supplementary set of multi-member electorates should be added to the present system of single-member electorates in order of preference, but the rules for counting the votes is by way of proportional representation. The result is that parties are represented in the Australian Senate in proportion to the votes cast for their candidates. If a minor party received about 10 per cent of the vote it would receive one seat in the Senate.

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1. Voter indicates candidate of his choice. Candidate with highest number of votes wins.

2. Voter ranks candidates in order of his preference: 1, 2, 3 etc. If no candidate achieves 50 per cent of first preference, the candidate with fewest first preference votes is eliminated and his supporters' second preferences are distributed. That process continues until one candidate has an absolute majority.

3. Voters are presented with lists of candidates of all parties. Say, as in the Australian Senate, there are ten positions.

4. Voters list all candidates in order of preference, but the rules for counting the votes is by way of proportional representation.

5. The greater stability of the boundaries of single member electorates brought about by absorbing new seats into the multi-member electorates would reduce the precariousness of parliamentary careers and enable more members to build up strong local support than they have been able to in recent years.

6. For electors, voting would be a more interesting and satisfying act. It would offer the possibility of a wider range of choice in voting, including voting solidly for a party or dividing one's votes among several candidates.

7. Regional interests as well as local interests would be represented in parliament.

8. The future of the Maori seats could be looked at in a new

party's share of the vote.

Different possibilities are available under each of these methods and combinations of methods can be endless and complicated. The simplest way in which they work can be illustrated as follows.

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New Crothall plan may needle the nurses

by Bob Edlin

COMMAND Services Corporation Limited — looking in good health with the announcement of another record for the group in both turnover and profit — seems bound nevertheless to come under the scrutiny of the nursing profession.

One of its member companies — Crothall Hospital Services — has introduced a new "product" which could be seen by nurses as an invasion of their domain.

If, as Crothall executives argue, it means more efficiency in hospital management, the service could also be considered by taxpayers to contribute to much-needed cost savings for financially beleaguered hospital boards.

The Command Services annual report blandly notes the introduction by Crothall Hospital Services of "unit management", which is described as "a further extension to aiding the health service by utilising the company's extensive overseas expertise".

The idea is that the company will contract to undertake the non-clinical management of hospital

wards.

"A number of hospitals are interested, but no one has taken the service yet," Tony McGrath, managing director of Command Services, said last week.

Unit management is undertaken in some English hospitals, McGrath said.

"And we argue that the contractor has a big part to play in hospital efficiency. Contractors already play an important role in saving hospital boards hundreds of dollars."

McGrath said that by contracting, hospital boards could make savings as great as 20 per cent on hospital-running costs.

"It is important to appreciate our cost efficiency," he said.

"It is a matter of doing what you do best, and letting others do what they do best."

"Nurses are trained to provide specialist clinical services, but they are not trained to make beds."

Through a unit management contract, Crothall would undertake the non-clinical management of a hospital ward.

That would mean everything from cleaning floors, windows, patient's clothing and so on to

shaving patients and making beds.

The nurses would be relieved of housekeeping work and could concentrate on patient care.

Crothall management is confident the proposal involved only support activities that will assist nursing staff — the sort of work now done by cleaners and porters.

Therefore it doesn't anticipate industrial problems. "In fact, the nurses complain they have too much nursing work to do now," said one company executive.

"They have been pressing for these changes."

But the idea of Crothall managing all non-clinical work in a ward is likely to meet

objections from ward sisters. They traditionally see themselves as managers of their wards.

Then there is the problem of deciding what are nurse-side duties, and what are cleaning duties.

Nurse aides — like registered nurses — are represented by the Nurses' Association.

Even the making of beds can raise demarcation problems.

Making beds is not necessarily a non-nursing function. It is a job which can allow the nurse the chance to spend some time with a patient.

Command Services companies, of course, are accustomed to battling in bureaucracy.

One of Huntley Holdings products — a meat pie — at export markets — ran into problems with agricultural authorities who insisted that meat export licence was needed.

Australian authorities prepared to accept a product, provided it was accompanied by statements of the market forces with as little interference as possible.

It was even hoped that Israel would become an alternative trading centre.

What now is interesting, is to observe just how the market forces have helped to cure Israel's economic ills.

Politically, the next market test of the public reaction is not due until 1981, although an early election has been predicted. If this occurs it will probably be in an attempt to win re-election on the popular foreign policy achievement of the peace treaty with Egypt, capitalising on the prevalent spirit of optimism.

That wasn't good enough. The New Zealand authorities eventually changed regulations to fit the proposal. But that was two years after the initial order had been placed.

Now the company has to rebuild the market.

Another Command Services subsidiary, Seekers Telex Answering Services Ltd, includes a telex bureau among its services. But regulators impose a limit on the number of clients, the service to be advertised — and Seekers is not allowed to make a profit on its telex operations.

Given the fact that Israel's economic growth rate has been much higher than New Zealand's, one might have expected the policy volte face in New Zealand.

The latest inflation figure released in Israel was the April cost of living increase of 8.7 per cent for the month, which multiplied by 12, took the annual rate over the magical 100 per cent a year rate for the first time ever.

Today's rate of exchange, with several further movements since the 50 per cent devaluation, makes the Israeli pound worth just 4 cents New Zealand. On my last visit to Israel just a few years ago it was worth nearly 12 cents.

But on the positive side, the economy is expected to show 6 per cent real growth in GNP plus a 6.2 per cent rise in productivity — both better than New Zealand.

And as yet the official figures show a full em-

"We would have to change our member boards to professional groups," the executive said.

The association didn't have direct authority over boards, but had an advisory role, he said.

Command Services' McGrath said the company recognised that progress might be slow because of professional interests and bureaucratic constraints.

But he said he was "optimistic" and "hopeful" of a breakthrough. And he said the Department of Health looked like a moderate.

Command Services'

reforms came. The Israeli pound was devalued by 50 per cent; all import controls were lifted leaving a reducing level of tariff protection and fluctuations in the exchange rate as the main protection for Israeli industry.

Along with this went a lifting of all foreign exchange restrictions, travel controls and so on.

To illustrate just how

restrictive the old currency

controls had been, the black

market in currency was so

strong and well-organised that

its daily exchange rates were

quoted on the state-run radio.

The Begin Government's

design was for Israel to reflect

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The same attention and help

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Even that cannot be ruled

out, but the growing feeling,

after only two years' of ex-

perimentation, is that a return

to some forms of regulation

and control is inevitable and

that hopefully the new versions

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and subject to less abuse.

For New Zealand, the

warning signs should be

seriously studied.

A rash, blinkered,

ideological commitment to the

imaginary panacea of the

market might turn out very

similar results to those

discovered in Israel. Given a

worsening of existing

economic problems and

similar inflation levels to those

now prevalent in Israel, New

Zealand, with a less socially

cohesive society may find it

difficult to cope with the

consequent social strain.

Israel will probably be saved

the worst consequences

because of its position in a

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